

CURRENT HISTORY

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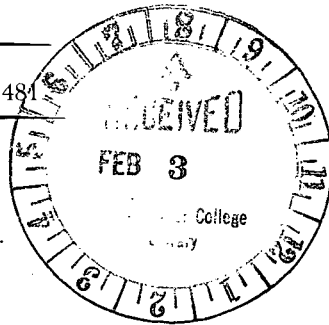
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Current History

FEBRUARY, 1983

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Articles in this issue examine the prospects for future democratic "openings" in Latin America, the efforts to curtail economic crises there, and the burgeoning political problems of the Central American nations. With regard to United States policy in the region, our introductory article points out that "during the first half of its current term, the energies of the Reagan administration in the Latin American arena were clearly misdirected."

U.S. Policy in Latin America

By CARLOS A. ASTIZ

Professor of Political Science, State University of New York at Albany

Two years after taking office, the administration of President Ronald Reagan has developed an uneasy relationship with those Latin American countries that want to maintain the status quo. For their part, those trying to modify Latin American society are deeply suspicious of the Reagan administration. There has been a sharpening of the distinction between two categories of nations in Latin America: those that can be labeled as actors in international politics and those that can be identified as objects of international politics. In 1981-1982, the Reagan administration was concentrating on countries that were objects of international politics, like El Salvador and Nicaragua.

The administration argued that this interest was stimulated by the possibility that these nations would turn into hostile actors, like Cuba under Fidel Castro. It would appear, however, that such a drastic change could occur only as a consequence of a direct commitment by the Soviet Union; and the behavior of the Soviet leadership during the past decade and ongoing Soviet internal readjustments make such a commitment unlikely. In the absence of counterbalancing support from the Soviet Union, the Central American nations are not likely to become actors in international politics; and they are most unlikely to show effective hostility toward the United States, at least in terms of force.

Nonetheless, a great deal of force has been employed in Latin America; force has been applied to settle domestic struggles for power or to change a state's ideological commitment, or its distribution of wealth. Some domestic political struggles have had international implications. But the international impli-

cations were a by-product of regimes that associated their survival with the survival of certain factions or elites in neighboring countries.

Since World War II, however, actual interstate confrontations have been minor. Peru and Ecuador fought over some isolated territory; and the major but brief war between Honduras and El Salvador was stopped by the Organization of American States. The use of force by non-Latin American countries against Latin American countries, fairly common in the nineteenth century and in the twentieth century before World War II, has not been repeated.

The diminishing use of force in Latin America is the by-product of a totally different and even more effective mechanism to pressure and influence states, the mechanism called the financial web. The web is made up of institutions that include the Eurodollar market, the World Bank, the International Monetary Fund and other government and non-government agencies that have appeared as a consequence of the redistribution of power that took place after World War II. The United States was one of the originators, if not *the* originator, of the financial web. It has been one of its major manipulators, users and, to a certain extent, beneficiaries. Most Latin American nations have also benefited from the development of the web; they have been able to draw on its resources; some of them have become minor participants in its operations and they have thus far been spared the methods of interstate coercion employed until World War II.

By the same token, the nations of Latin America have been good team players. They have either paid their debts on time or have sought additional credit and loans in order to pay previous debts. In general,

they have paid the interest on time and they have supported the legitimacy and the stability of the financial web. However, the ability of the web to control the behavior of nation states is rapidly diminishing. As it does, the major powers—and particularly the United States—may have to seek other means to influence policy choices in Latin America, a process now under way.

An obvious option, although not necessarily a pleasant one, would be to return to the threat of military and political sanctions similar to policies pursued in the early twentieth century. That option, under active consideration at this time, may very well become the only effective short-term alternative when there is a major conflict of interest between an important Latin American country and either the United States or another major world power. The use of force may also become more likely in disputes between the nations of Latin America, a possibility that complicates the range of policy options available to the United States in the Reagan administration.

A distinction must be made between Latin American nations that have foreign policy objectives and are prepared to pursue them regionally and overseas—*actors* in the international arena—and those Latin American states that are accidents of history, the states whose foreign policies are not matched by their national capabilities—the *objects* of international policy. This distinction is important in assessing President Reagan's Latin American policy. During its first two years, the Reagan administration has focused its public pronouncements toward those Latin American states that are objects of international policy and has failed to develop realistic options to deal with actors in the international sphere.

Which Latin American nations are the actors? Argentina, Brazil, Chile, Peru, Venezuela, and Colombia certainly conduct their own foreign policies and try to achieve the national objectives determined by their ruling elites. Mexico is a more questionable case. A number of years ago I noted in *Current History* that Mexico's foreign policy was one of thinly disguised dependency; therefore, Mexico could not behave vis-à-vis the United States as an actor.¹ Some observers would qualify that statement today because of the oil reserves recently found in Mexico. Mexico's dependency, on the other hand, has been intensified by its inability to pay the huge foreign debt it has acquired in the last few years, mostly because of the promise of those very oil reserves.

Cuba is another Latin American actor. It has a rather complicated foreign policy dependency on the Soviet Union, but that dependence is tempered by the distance that separates the two countries and by the origin of the Cuban regime that assumed power on

January 1, 1959. On the whole, the relationship between the regime of Fidel Castro and the Soviet Union has made it possible for the Cubans to be actors. Cuba's role in Africa, its involvement with the nonaligned bloc and its apparent presence in Central America and the Caribbean are clear indications of its role in international politics.

The background of the leaders who conduct the relationships among the nations of Latin America and between them and the rest of the Western world is also important. The ties (particularly the international economic ties) among the Latin American leaders are reminiscent of international relations in the seventeenth and eighteenth centuries. At that time, international affairs were basically in the hands of narrowly based ruling elites who, as many distinguished diplomatic historians have noted, felt more comfortable in the presence of one another than in the presence of their supposed constituents. The managing elites in charge of the international affairs of the major powers in the seventeenth and eighteenth century tended to trust each other. Even in their distrust, the margins of deception were limited by their mutual knowledge and their ties. As middle-class bureaucrats entered the scene in the second half of the nineteenth century and during the twentieth century, supranational trust among foreign relations managers disappeared. It was replaced by a feeling of nationalism; that is, international relations managers felt more comfortable surrounded by their fellow countrymen than in the presence of their fellow managers from other nations.

Nonetheless, between the Latin American countries and the Western world in the last few years there has been a return to the seventeenth and eighteenth centuries, particularly in the area of international economic and financial relations. The managers of international economic policy and many of those in control of domestic economic decision-making have come from international institutions or centers of learning where they came to know each other. The proliferation of international conventions and meetings, particularly in the financial and diplomatic sectors, have intensified these contacts. This is not to say that these managers of international economic and financial relations feel more comfortable with each other than with their fellow countrymen; some probably do and others do not. But the fact of the matter is that they know each other across national borders; they feel relatively comfortable in one another's presence; they talk a common language both figuratively and literally (English being their common language), and they can refer to the similar theoretical backgrounds on which their actions and policies are based. These policymakers criticize each other at a very high level of abstraction, share analyses and, generally speaking, share many objectives and problems.

These elites are found throughout the world; but

¹*Current History*, May, 1974.

their presence in the Latin American countries stands out. A profile in terms of their international experiences is likely to include service on the staff of the World Bank or the International Monetary Fund, or representing their countries at these institutions. Another widely shared experience is service in organizations like the United Nations, the Organization of American States, or other more specialized agencies often based in the United States but occasionally located in West Europe. Some members of the new managerial elites have shifted from one position to another. Some have rotated between service in their own countries and tours of duty in international agencies. Others have studied in well-known universities in the United States or, less likely, West Europe. One such group is made up of students of economics at the University of Chicago, many of whom are associated with the economic theories of Milton Friedman. They can be found playing a major role in articulating a specific approach to both domestic and international economic policies in many of the Latin American countries.

The ties that have been developed between these individuals on the one hand and United States financial leaders and high public officials on the other hand cannot be ignored. They know each other; they understand each other's problems; they share the conceptual framework through which they perceive the world of the 1980's. If we include the regular exchanges of top personnel between the private sector and the United States government, we begin to understand that for many years political and economic relations between the United States and the Latin American countries have been based on the personal relationships between high-level Latin American officials and American bankers and bureaucrats.

Two or three years ago, when questions were raised about Brazil's ability to pay its growing foreign debt, American bankers answered that, as long as Planning Minister Antônio Delfim Netto had a major policy-making position in the Brazilian government, they knew that Brazil would pay. Comments of this nature on the part of supposedly tough-minded, cold American bankers reflect very clearly the North American ties with the Latin American elite. Nowadays, this elite can be found in most countries; its presence is most influential and most important in the countries identified as actors.

The Reagan administration should direct its attention toward Latin American actors. One of them, Argentina, challenged not only British power but the sanctions of the international financial web as well in 1982. It lost, but the Falklands (Malvinas) confrontation showed the limited effects of financial sanctions on established actors. This is a subject that the Reagan

administration should have addressed from its very first day. Argentina, Brazil and Mexico have an international debt that exceeds \$200 billion. A sizable share of that debt is owed to major United States banks, either directly or through their Eurodollar subsidiaries. Although no figures have been made available, rumor has it that at least two major American banks have exposures in Mexico of nearly 40 percent of their assets.² It is probable that these and other American banks are also heavily exposed in Argentina and Brazil. Mexico and Argentina are in the process of declaring moratoria on their foreign debt, while they borrow additional funds, often from their existing creditors, to pay the interest.

Bank officials, the current ruling elites in Argentina, Brazil, and Mexico and their accountants may proclaim for public consumption that the debts have been renewed, that interest is being paid, and that new loans have been made "to assist these countries in their development." Others, more hard-nosed, could argue that debts that become due are being renewed in order to postpone "the day of reckoning," that interest is being paid mostly with promissory notes that may turn out to be as worthless as the ones being rolled over, and that many of these loans have been and are being made to regimes whose legitimacy is highly questionable and whose international prestige is low.

Two Latin American countries, Bolivia and Costa Rica, are effectively bankrupt. During 1982, checks issued by the former's Central Bank against its international dollar accounts bounced for lack of funds. Bolivia's existing international debt, between \$3.5 billion and \$4 billion, is beyond the country's current ability to pay. A variety of military administrations that were sharing power and the drug trade had to return power to civilian leaders who had been elected two years earlier. There are no indications, however, that these legitimate leaders will be successful in reversing the default inherited from the military regimes. Costa Rica has been for the last three decades a peaceful polity governed by a succession of duly elected administrations, but this has not prevented Costa Rica from going into default on a foreign debt that exceeds \$2 billion. As in the case of Bolivia, the present Costa Rican economy cannot generate the international surplus needed to pay its debt.

These two cases have not affected American banking interests in a major way because of the relatively small amount of the unpaid balances. But Mexico,

(Continued on page 87)

Carlos A. Astiz's publications include books, articles, and scholarly papers dealing with Latin American politics. He has been a research fellow at the Center for Science and International Affairs, Harvard University, and a visiting fellow at the National Institute of Justice, United States Department of Justice.

²Official exposure figures were given in *The New York Times*, December 2, 1982, p. D10.

"... Those who favor the internationalization of Antarctica will have to contend with the increasingly assertive claims of emerging South American nations. The task of diplomacy will be to accommodate this new Latin American role, while preserving the world's largest scientific laboratory and treasure of minerals and sea life."

Latin America and Antarctica

BY EDWARD S. MILENKY,

Author of Argentina's Foreign Policies

AND STEVEN I. SCHWAB

Lecturer in History, Northern Virginia Community College

THE Falklands war reminds us that long smoldering territorial disputes, even in the world's most remote places, can suddenly flame into crises of major proportions. The fighting has stopped, but the South Atlantic region extending to Antarctica has become a new focus of international concern.¹ The area's untapped mineral and fishing resources may prove to be one of the earth's last treasure troves. Commerce between South America and Africa is giving new importance to the southern sea lanes; and large oil tankers and warships must use the Straits of Magellan as an alternative to the Panama Canal. Most important, the future disposition of Antarctica could affect the global environment, particularly if its reserves of fresh water and its unique status as a scientific laboratory relatively free of pollution were threatened.

All these factors are of great interest to those Latin American countries that regard Antarctica and its surrounding waters as a strategic zone, a potential resource, and the last economic and psychological frontier. Moreover, as Latin American nations enter the global system and shift from an exclusively national and regional focus, the future disposition of the Antarctic becomes a test case for the assertion of their distinct interests against superpower domination. South American countries in the Southern Cone region, particularly Argentina, Brazil and Chile, have demonstrated the most active interest, but the Latin American continent as a whole sees the Antarctic question as one of a series of key territorial and jurisdic-

tional issues bearing on the sovereignty of developing countries.

Sustained Latin American interest in Antarctica is only a few decades old, even though Argentina and Chile trace their sovereign rights to 1494, when Pope Alexander VI split the New World between Spain and Portugal along a meridian line proclaimed in the Treaty of Tordesillas. Aside from fleeting visits to South Atlantic islands, neither Spain nor its successor states in South America took part in the nineteenth century explorations of the south polar region.

Argentina initially established a pattern of creeping interest in an apparent response to the expansion of British claims. After a series of British expeditions, successive Argentine governments in 1884 and 1900 declared that Antarctica was part of Patagonia, the country's southernmost region. Then, in 1903, the Argentine ship *Uruguay* rescued a Swedish polar expedition that was marooned on Snow Hill Island.² The next year Argentine meteorologists replaced a Scottish team at the observatory on Laurie Island in the South Orkneys. This meteorological station has remained in Argentina's possession since 1904, but further settlements did not quickly follow. In 1927, Argentina built a radio-telegraphic station in the South Orkneys; this was the first base it developed purely through its own efforts.

Argentina and Chile held inconclusive diplomatic talks concerning Antarctic delimitation in 1906, but it was not until the 1940's that either began to take its territorial claims seriously. Once again, the initiatives of countries outside the South Atlantic region apparently stimulated South America's interest. In 1939, Norway delimited its claim to a portion of Antarctica and invited other interested parties to attend the International Exhibition of Polar Exploration at Bergen in 1940. Argentina quickly responded to Norway's initiative by creating its own interdepartmental National Antarctic Commission.

Concurrently, the United States began to establish bases and to press for an American Antarctic. In keep-

¹According to Article XII, the Antarctic Treaty, which entered into force on June 23, 1961, will be subject to major review after 30 years, if any consultative member requests it. The treaty has suspended but not resolved territorial claims.

²An Argentine naval officer, Lieutenant Jose M. Sobral, who served as a scientist with this Swedish group, has been acclaimed Argentina's first polar explorer. According to some historical accounts, Sobral's presence prompted his government to launch the rescue mission. See for example, Eric William Hunter Christie, *The Antarctic Problem* (London: George Allen & Unwin, 1951), pp. 163-174.

ing with the spirit of the Good Neighbor Policy, United States President Franklin Roosevelt advised Buenos Aires and Santiago that United States-sponsored activities in the Antarctic would be intended to serve all the American republics. Washington also proposed that, if Antarctic explorations proved valuable, the American sector could be administered by an inter-American organization. In May, 1940, United States Secretary of State Cordell Hull stated that for their own defense purposes, the American republics needed to have clearer title to the Antarctic than non-American states.

A SOUTH AMERICAN ANTARCTIC

Chile and Argentina accepted this wisdom on their own terms. In November, 1940, Chilean President Aguirre Cerda claimed the area from west longitude 53° to 90°.³ Following this claim, representatives of Argentina and Chile agreed that a South American Antarctic did exist and that their two governments held exclusive sovereign rights. In 1942, Argentina advanced its own territorial claims over the area between 25° and 68° 34' West, south of 60° South, when the ship *Primero de Mayo* posted Argentine plaques in this region.

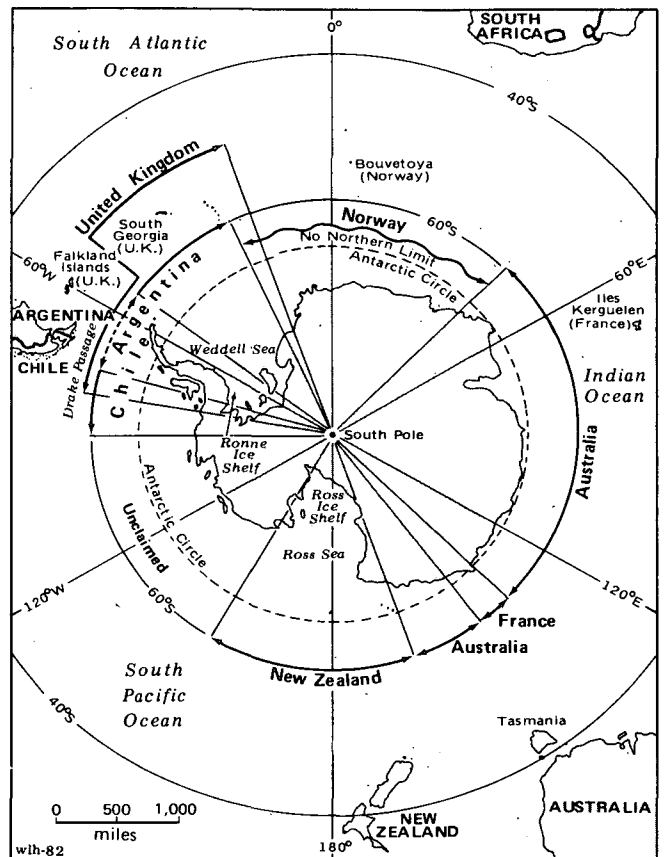
Both the Chilean and Argentine claims are based on a sectorial theory of polar jurisdiction that was first advanced by Canada for the north polar region. The sweeping Argentine claim, however, encompasses all the territory claimed by Great Britain and overlaps the Chilean claim. It is based on the rationale of extending the meridians of Argentina's frontier to the pole.

Before national elections in February, 1946, Argentina's strongman Juan Perón did not demonstrate an active interest in the Antarctic; but with his government established, he sought new ways to retain the political backing of ultranationalists. Thus, Argentina's sovereignty over its portion of the Antarctic became an important focus of political, military and diplomatic activity. In 1948, the Argentine sector of Antarctica and the islands of the South Atlantic were formally included in the jurisdiction of the maritime governor of the national territory of Tierra del Fuego.

Subsequently, Argentina inaugurated a major Antarctic expeditionary program, founding several small military bases and scientific stations. The Argentine Antarctic Commission became active amidst a mass publicity campaign that was launched to raise the level of public consciousness about Antarctica. In 1951, the Argentine Antarctic Institute was established under the control of the Ministry of Defense to regulate Ant-

³Chile bases its claim in part on a handwritten note by its liberator Bernardo O'Higgins dated 1831 that was discovered in the files of the British Foreign Office in 1918. It asserts that Chile has valid interests in both the Atlantic and Pacific regions extending to the South Pole. Argentina, of course, strongly opposes this bioceanic projection.

⁴Argentina has established 12 bases in its sector, 5 of which are currently inhabited.



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ANTARCTICA

arctic matters, including an ambitious scientific program.⁴

Like Argentina, Chile attempted to assert its jurisdiction by placing its section of the Antarctic under various national administrative arrangements. In 1942, a Chilean Antarctic Commission was first assigned to the Foreign Ministry and then to the governor of Magellanes Province on Tierra del Fuego. Chile waited until 1949 to establish its first base, at Greenwich Island in the South Shetlands, but followed it with three other stations in the period 1951-1955.

The nationalist designs of Chile and Argentina in Antarctica became clear to the outside world after the signing of the Inter-American Treaty of Reciprocal Assistance (Rio Treaty) by 21 American republics in 1947. Parties agreed in Article III that an armed attack by any nation against an American state would be considered an attack against all, and Article IV defined the region covered by the treaty as extending to the

(Continued on page 89)

Edward S. Milenky is the author of *Argentina's Foreign Policies* (Boulder, Co.: Westview Press, 1978) and *The Politics of Regional Organization in Latin America* (New York: Praeger Publishers, 1973). **Stephen I. Schwab** has taught at Southwest Missouri State University and is a lecturer in history at Northern Virginia Community College.

"Brazil's gross national product is on par with Canada's; its economy is better managed than Italy's; Communist participation in Brazil's government—unlike France's—is nil; and Brazil is now the fourth largest democracy in the world. . . . Yet in the minds of American Presidents and Secretaries of State, Brazil is not a major power."

Brazil's New Democracy

BY EUL-SOO PANG

Associate Professor of History, University of Alabama in Birmingham

AFTER 20 years of electoral barrenness, Brazil has produced its version of democracy, meticulously nurtured in vitro since 1980 by President João Figueiredo's administration. For two years, the embryo thrived in a fecund medium of controversy over the current economic recession. Then, on November 15, 1982, democratic life was born of an 18-year-old military regime and some 59 million Brazilians (age 18 and over, and at least passably literate), 30 million of whom were voting for the first time in their lives. Labor was prolonged by a painfully slow vote count, lasting ten days, with many anxious moments in the interim. As is the case with most newborns, it is still too soon to say which parent the infant resembles: the Social Democrats (PDS, the conservative official party), or the center-left opposition Brazilian Democratic Movement (PMDB); traces of a Marxist-Socialist strain in the genetic mix are also in evidence. A late November visit by an interested third party, United States President Ronald Reagan, hinted that Uncle Sam might try to brighten the future a bit for the third world's richest industrial economy with a shift in United States foreign policy. If everything proceeds as planned, this democratic youngster should take his first full step in January, 1985, with the election of a new President of the republic.

An early reading of the election results for 1982 suggests that what Brazil may have on its hands is a classic middle-class revolt—albeit a mild one—provoked by a precarious economy that threatens to undo the gains of the "miracle" of the 1970's. Twenty-two governors, 25 senators, 479 federal deputies, 949 state deputies, 3,840 mayors, and 50,920 aldermen were elected. A look at a post-election map of Brazil indicates that PDS won by slight margins in the peripheral regions: two states in the extreme south, nine in the northeastern littoral, and Mato Grosso in the far west.

¹PDT won the governorship and state legislature only in the Rio state. *Folha de S. Paulo*, November 27, 1982.

²*Jornal do Brasil*, October 27, 1982; *Istoé*, October 13, 1982; Conselho Monetário Nacional, *Programação do Setor Externo em 1983* (Brasília, 1982).

Meanwhile, the opposition parties (PMDB and PDT-Democratic Labor Party) won in São Paulo, Minas Gerais, Rio de Janeiro, and seven other heartland states that produce everything from coffee to automobiles, airplanes, steel, rice, cattle, and sophisticated electronic hard- and softwares.

The states of São Paulo, Rio, and Minas Gerais supported the military revolution of 1964 and have received the lion's share of economic benefits since, but, ironically, 1982 saw this same economic and demographic core elect opposition governors by slight margins.¹ The opposition as a whole controls a population of 70 million and 75 percent of the GDP (gross domestic product). This phenomenon should not be interpreted as outright dissatisfaction with the Figueiredo regime but as an ever-growing, affluent middle class's frustration with an inflation rate of just under 100 percent and an astronomic foreign debt.

Brazil may indeed be in for a case of the postpartum blues after election euphoria wears off; 1983 promises to be one of the most difficult years in recent history. Late in 1982, the National Monetary Council unveiled a tight-belt budget for 1983, a perilous course for a recently industrialized economy like Brazil. The ambitious plan seeks to cut imports in 1983 to US\$17 billion (as opposed to about \$20.5 billion in 1982) and to increase exports to \$23 billion (as opposed to \$20.5 billion in 1982). Less petroleum will enter Brazil in 1983 (\$9 billion) than in 1982 (\$10.1 billion). Even more audaciously, the Figueiredo government hopes to reduce its 1982 deficit from \$15.4 billion (or about 5.7 percent of the gross domestic product of \$270 billion) to \$6.5 billion (or 2.5 percent of the GDP) in 1983. Whether such an austere goal can be attained will depend largely on the collaboration of the world's industrial North, especially the United States.

A few days after the draconian budget for 1983 was announced, the government's planning czar, Planning Minister Antônio Delfim Netto, lowered the projected trade surplus figure from \$6 billion to between \$4 and \$5 billion.²

That all Brazil has been preoccupied with the

mounting foreign and domestic debt is convincing evidence that the country has become a middle class nation. Tapping vast natural resources, practicing import substitution industrialization, and redistributing wealth through various social programs under state auspices have comprised the fundamental strategy for economic development in Brazil since 1964. The Brazilian middle class continues to favor the marriage between the state and capitalism. To finance various programs, Brazil has borrowed extensively from both international public and private banks. In 1964, the Brazilian foreign debt totaled \$3 billion; by 1974, the first full year of the world petroleum crisis, it had jumped to over \$17 billion, and it soared again after the "second shock" in 1979. By 1982, the debt was fluctuating between \$80 billion and \$88 billion. Similarly, the interest rate oscillated between 4.4 and 5 percent in the first half of the 1970's, but more than trebled in 1981 and 1982 to between 15 and 19 percent.³ For 1983, Brazil will need over \$18 billion just to service its foreign debt.

THE ECONOMIC ROLE

The expansive role of the state in the national economy has been avidly debated on an unprecedented scale among—of all people—the past and present government technocrats, including Eugênio Gudim, Octávio Gouvea de Bulhões, Roberto Campos, Celso Furtado, Mário Henrique Simonsen, Delfim Netto, Ernane Galvêas, and Carlos Geraldo Langoni. Together, they represent four generations of government technocrats. The ideological differences that surfaced among the in-house technocrats were surpassed only by the highly polemic debate between the opposition party economists and the government technocrats over the future direction of the national economy, with a wide range of solutions proffered: the outright cancellation of all foreign debts, the argument being that the North has exploited the third world and has recycled the profits in the form of loans; the creation of a debtors' cartel similar to OPEC (Organization of Petroleum Exporting Nations) to counter-pressure the North for easier repayment terms; the voluntary renegotiation of the debt on Brazil's part to create some breathing space; and a reduction of Brazil's economic dependence on foreign markets by adopting an alternate model of expanded domestic consumption of agricultural and industrial products. The government's official position is that Brazil needs neither to renegotiate its debt nor to change its current course.⁴

Many industry and government leaders have sin-

³*Folha de S. Paulo*, September 22, 1982 and October 31, 1982; *Jornal do Brasil*, October 20, 1982; *Veja*, October 27, 1982.

⁴*Folha de S. Paulo*, August 22, 1982; *Senhor*, September 29, 1982.

⁵*Folha de S. Paulo*, October 31, 1982.

gled out the rising protectionist barriers among the OECD (Organization of Economic Cooperation and Development) countries as the most important factor in precipitating and aggravating Brazil's economic and financial woes. Some regard United States restrictions on imports from Brazil as a sinister attempt to keep Brazil in a permanent state of poverty and underdevelopment. One former Cabinet minister, now an opposition senator from São Paulo, has gone further, arguing that the only way the North can remain rich is to exploit the third world even more and to maintain trade barriers against recently industrialized nations like Brazil, South Korea and Mexico. He has admonished his countrymen that the new massive Amazonian mining project known as Carajás, on which the government pins its hopes for economic recovery and the financing of many gargantuan development programs, will be only a giveaway to the United States, Japan and the European nations; continued foreign exploitation of Brazil's natural resources, he has warned, can only increase dependence on the North.

Gloomy forecasts like these have become pandemic. The most recent book by Celso Furtado is entitled *The New Economic Dependency* and points out pessimistically that the current monetarist policy of Delfim Galvêas-Langoni can only lead Brazil to the brink of economic disaster. Furtado calls for a voluntary renegotiation of the foreign debt while Brazil still has time and credit left in world financial centers, and for the reorganization of national priorities. Private businessmen are fearful that the monetary stricture will indeed trigger a massive recession and unemployment in 1983.⁵

How did Brazil get into this mess? The answer most likely lies in the fact that the national government has been playing an increasingly prominent role in economic decision-making for the better part of this century. After 1930, Brazil began to expand the participation of the public sector in the economy, in part to halt an unchecked run on valuable natural resources by unscrupulous domestic and foreign corporations, and in part to stimulate industrial self-sufficiency. Toward this end, the federal government began to create a series of public corporations known simply as *estatais* (*estatal* in the singular), a practice continued by the military-dominated government of the last two decades.

In order to furnish needed capital to *estatais*, the state has borrowed extensively. For example, the Carajás complex, which contains the world's largest known iron ore deposits, is run by the Companhia do Vale do Rio Doce (CVRD), an *estatal*. Brazil hopes to pay off all its foreign and domestic debts in the 1980's and 1990's with the profits from the Carajás mines. The complex will cost Brazil and foreign investors over \$60 billion (by contrast, the trans-Siberian gas pipeline will cost about \$12 billion), and there are a half dozen other *estatais* with stakes in the project. Once fully

operational in 1985, the Carajás mineral farm will be exporting \$18-billion worth of minerals annually.⁶

In essence, the *estatais* have become the backbone of the national economy. In 1982, Brazil had over 9,000 financial and nonfinancial corporations, of which the federal, state, and municipal *estatais* numbered about 600. The federally run companies alone numbered 498. *Estatais* also hold joint ownership with domestic and foreign investors, like Fiat, whose president is an appointee of the governor of Minas Gerais. Together, these 498 *estatais* operate banks, gas and electric companies, petroleum companies from tankers to retailing, savings and loan institutions, airlines, armament factories, steel plants, an automobile company, shipping and shipbuilding firms, and even food distributorships. The *estatais* represent a dizzying figure of Cr\$20 trillion in investment,* about half the Brazilian GDP, or the equivalent of the total GDP of Argentina (US\$120 billion).

The largest portions of the federal budget are also eaten up by the *estatais*. In spite of the current recession, the state-run corporations have managed to increase their operational budgets along with their payrolls, which currently carry 1.4 million employees (an increase of 35,000 over the 1981 figure) who enjoy lifetime job security (*cargos vitalícios*). Once hired, the jobholder becomes a sinecurist. Across the board, *estatais* are twice as ineffective in their use of capital for productivity and job creation as private domestic and foreign firms.⁷

The government has at least tried to shed some of the worst offenders by putting some 140 firms up for sale. So far, there have been no buyers. It should be noted, however, that not everyone in the private sector favors abolishing or divesting the state corporations, particularly since they generate work for small and medium-size firms—especially in construction, engineering, and other service industries—that might not operate otherwise. Even Simonsen insists that economic realities mean that state corporations must have a role in society, and the secretary-general of the Bra-

zilian Communist party agrees. For the left in general, the expansion of the *estatais* is a process of “the socialization of the country” that needs to be accelerated, not reduced.⁸ The sale attempt is not always popular in other circles either: some powerful regional politicians protect *estatais* like a goose that lays golden eggs.

THE LIMITS OF FREE ELECTIONS

Officially, there are five political parties: PDS, the conservative center-right Social Democratic party; PMDB, the moderately liberal center-left Brazilian Democratic Movement party which in early 1982 incorporated some members of the defunct Popular party (PP); PDT, the socialist Democratic Labor party and personal vehicle of Leonel Brizola; PTB, the Brazilian Labor party, supported by the old followers of Vargas and Goulart; and PT, the vibrant new Marxist-Socialist Workers party, headed by the charismatic Lula, former leader of the São Bernardo Metallurgic Workers Union in São Paulo.

PMDB, the strongest opposition party, is badly split along personality lines that threaten to cause post-election defections, purges, implosions and even expulsions of rival groups. Likewise, PDS became fragmented between March and June when many PDS governors chose to run for federal office as a means of acquiring a high profile in national politics, some with an eye on a nomination for President in 1985. Furthermore, many PDS state chiefs callously imposed their own cronies—often unpopular or ill-qualified—as candidates for lesser offices in an effort to strengthen their power bases. This had a decidedly negative effect. It destroyed the career of Ney Braga of Paraná, weakened Paulo Maluf's position within the PDS of São Paulo and, in states like Espírito Santo and Minas Gerais, cost PDS control of the statehouses. It is expected that by the time the National Congress convenes in March, there will have been a plethora of party-switching among the recently elected deputies and senators that may continue over the next two years, especially between PDS and PMDB. This new partisan restructuring will be critical in the indirect presidential election to be held in January, 1985, when a national electoral college will be formed by all the senators and federal deputies, plus 138 state deputies to be selected from the 23 state legislatures. PDT will probably shed its euphemistic name and reorganize as the Brazilian Socialist party to emulate the European social democratic tradition, and PTB will probably atrophy well before the next election. PT, the only true Marxist-Socialist party, will grow in the cities and will continue to attract bourgeois intellectuals as behind-the-scenes advisers, if Lula and the core leadership so permit.

PDS's modest victory (12 state houses, a controlling majority in the Senate, but a minority in the Chamber of Deputies) was the result of elections that were not

*The cruzeiro is the Brazilian monetary unit.

⁶*Veja*, August 18, 1982; *Time*, October 18, 1982; Lúcio Flávio Pinto, *Carajás, o ataque ao coração da Amazônia* (Rio, 1982).

⁷Of Brazil's 200 largest corporations in 1981, the *estatais* numbered 84; domestic private firms, 75; and multinationals, 41. The public firms invested 76.5 percent (59.3 percent in 1977) of the total capital of the 200, as opposed to 14.7 percent (18.8 percent in 1977) by the 75 privates, and 8.8 percent (21.9 percent in 1977) by the 41 multinationals. But the 84 *estatais* accounted for only 49.3 percent of total sales and 49.9 percent of the jobs, while the 75 privates registered 21.8 percent in sales and 30.3 percent in jobs, and the 41 multinationals 28.9 percent and 19.8 percent, respectively. *Visão 1982: Quem é Quem na economia brasileira* (Rio, 1982), pp. 6-13, 23.

⁸*Veja*, July 14, 1982; *Diário de Pernambuco*, September 23, 1982.

without restrictions but were freer than any in the last two decades. The government carefully evaluated months of SNI (the national intelligence service) and public opinion surveys, and devised appropriate electoral procedures accordingly, most notably the *voto vinculado*, or required straight party ticket vote. As intended, the often weaker PDS candidates benefited from the measure while leading opposition candidates suffered. Campaign techniques also were regulated by an early 1970's law (*Lei Falcão*) that restricts television, radio and rally formats.

The absence of General Golbery do Couto e Silva, the Brazilian Carl von Clausewitz, was sorely felt by PDS. As the architect of the *distensão* of former President Ernesto Geisel and the *abertura* of Figueiredo, Golbery probably sees the right-of-center Brazil of the 1960's and 1970's moving gingerly to the center-left in the 1980's and 1990's, as Europe and most of the rest of the world seem to be heading. Economically, the material development of the last two decades of military rule should be complemented by a better distribution of national wealth over the next decades through a mild form of social democratic policies, thereby thwarting the rise of a radical left internally and enhancing Brazil's position externally as leader of the third world bloc. Politically, this ideological shift, to be accomplished by the elections of 1982 and 1985, is a calculated strategy on Golbery's part to throw the opposition into further disarray in a classic game of divide and rule.

Golbery's premature and involuntary retirement from the Figueiredo government in August, 1981, could have dire long-run consequences for the administration's palliative political strategy, which consists of balancing the demands of the extreme left with those of the small but still vocal *duros* of the armed forces on the right. For the time being there is no serious internal opposition group, like the Peronistas in Argentina, that can challenge the military. Nevertheless, Figueiredo and PDS just might need Golbery before 1983 is out.

THE 1985 PRESIDENTIAL LOTTERY

Well before the November, 1982, election, the game of identifying prospective presidential hopefuls (*presidenciáveis*) was beginning to resemble the national sports lottery in terms of subjectivity, popularity and irresistibility. The spectrum of candidates for 1985 probably will come to resemble the lottery's zebra-like betting form of three columns as well: the center with Figueiredo running for a second term; the center-left or the left with a civilian candidate (if this group can unite); and the center-right with an active military man in case Figueiredo opts out. The incumbent Vice President of the republic would welcome the post as well. From the opposition camp, Ulysses Guimarães, federal deputy from São Paulo, losing candidate of the former

MDB against João Figueiredo in 1979 and national chairman of PMDB, is a natural *presidenciável*. One other nationally recognized opposition figure at the moment is leftist Leonel Brizola, but his future candidacy depends on whether PDT, PTB, PT, and even the Communist party can consolidate.

Despite a variety of acceptable civilian candidates, however, the knowledgeable bettor will place his money on a dark horse in the active and reserve officer ranks. Since 1964, Brazil has had five military officers as Presidents: before assuming the presidency, both Castelo Branco and Costa e Silva were Ministers of the Army, Médici was the director of SNI, Geisel was the president of Petrobrás, and Figueiredo was also the director of SNI. Both Geisel and Figueiredo were chiefs of military affairs (Casa Militar) for Castelo Branco and Médici, respectively. No Army Minister has become President since Costa e Silva (1967).

From the presidential palace guard, General Rubem Ludwig (no relation to United States billionaire Daniel Ludwig, entrepreneur of the Jari Project that was sold to a consortium of Brazilian businessmen in early 1982) is one to watch. A serious, French-trained scholar and intellectual (fluent in German, English and French), career officer Ludwig was Geisel's aide and later his press spokesman, worked at SNI when Figueiredo was its director, and returned to troop command for a while in the first part of the current administration. As Minister of Education and Culture in 1981 and 1982, he distinguished himself as one of the most dynamic administrators in decades. That "Rubão" ("Big Ruben" to his friends) is the most popular general with center and left politicians makes him an attractive choice as Figueiredo's successor, in complete keeping with *abertura* politics. A two-star general, Ludwig ideally should reach fourth-star rank before he can be considered a serious contender, if the conventional rules are to be observed. But in Brazil, the rules for presidential politics can be and have been changed.

From the right-wing of the army come two possible candidates, Generals Sílvio Frota and José Luiz Coelho Netto, but the move by Presidents Geisel and Figueiredo to restore democracy has slowly emaciated the

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"Fighting against a major European power, facing economic sanctions by the European Economic Community, opposed by one superpower and only mildly supported by the other, Argentines appreciated afresh what it means to be a third world nation."

The Aftermath of Defeat in Argentina

BY FREDERICK C. TURNER

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AT the conclusion of the Falklands (Malvinas) war between Argentina and Great Britain in 1982, an Argentine politician commented:

We are witnessing the end of another military regime, the sixth since the process began in 1930. And like all of the military regimes that promised a solution, it has wound up by seeking a way out.¹

While the words place recent events in historical context, they do not capture the discouragement and frustration that have gripped so many Argentines in the aftermath of military defeat, profound economic deterioration, and continuing political uncertainties. Whether the military government will be able to bring off free elections early in 1984 (as it has promised) or even earlier remains unclear. Argentines must face up to the consequences of defeat on many fronts, but the ways in which they will do so in the long run have yet to be established.

In 1983, Argentina presents a striking contrast between appearance and reality, between a surface vision of extreme wealth and an underlying inability to pay current bills. The nation contains some of the most opulent private clubs and ski resorts in the world; yet the economic crises of 1982 forced Catholic parishes throughout Buenos Aires to open soup kitchens to feed workers and their families. Physicians and lawyers drive taxis, because of the high level of *desempleo profesional*, the unemployment and underemployment of skilled professionals. The system of open, free education at the university level has produced more doctors and lawyers than the country needs even in periods of high employment; but the economic failures of the recent past have made it increasingly difficult for skilled professionals to find work in their specialties.

Similarly, many apartments in Buenos Aires stand empty, while a great many people look without success for apartments that they can afford to rent. In dollars, the value of an apartment in the capital in 1982 dropped to about one-fourth of what it was just three

years earlier; and owners would rather leave apartments unoccupied than sign long-term leases at the tiny rents that people can afford.

There are other contrasts in Buenos Aires, home of nearly one-third of all Argentines. An expensive project of the military government that came to power in the coup of 1976 was a superhighway structure, including a highway from the airport and one from the Buenos Aires suburbs to the very center of the city. But the tolls on these highways have become so steep that the new roads are almost deserted. Superficially, the capital continues to resemble a Swiss city, with a myriad of late-model, expensive European and Japanese automobiles. After the 1976 coup, the military government overvalued the peso, making imports cheap and squeezing out domestic production. Until recently, therefore, even a middle class family could afford a BMW sedan. Since the devaluation of 1982, however, it takes all the money that a blue-collar worker earns in a month to buy a replacement headlight for a BMW; gradually the expensive foreign automobiles are falling into disrepair.

The failures of the recent past have been especially frustrating because of the natural resources of the country and the consequent high expectations of its citizens. Argentina enjoys assets of land and climate that allow massive exports of beef and wheat, which are in high demand on the world market. It has a population of 28 million literate people in a territory that ranks eighth in size among the nations of the world. It does not confront problems, like racial conflict or a population explosion, that trouble many nations. Yet, over time, Argentines have not been able to realize their apparent potential for economic growth and general prosperity. Whereas in 1928 they ranked about sixth among the nations of the world in per capita income, by 1982 they had fallen to about thirty-sixth place.

A fundamental reason for this decline in relative prosperity was an absence of national consensus on the running of the economy and the political system. In turn, dissension has found expression in political frustration, categorical reverses in economic strategies, military coups, terrorism and repression. Dissension

¹From an interview with Rafael Martínez Raymonda, in *Convicción* (Buenos Aires), July 29, 1982, p. 28. Reprinted in Foreign Broadcast Information Service (FBIS), *Latin America Report*, no. 2567 (September 7, 1982), p. 13.

and its manifestations help to explain why the national situation appeared so grave in 1982, but this understanding offers no easy solution.

THE WAR AND ITS EFFECTS

In historical perspective, the conflict in the South Atlantic over islands that the British call the Falklands and the Argentines call the Malvinas may be written off as a "little war." Rex Hunt, the British governor of the islands, was absent from them only for about 12 weeks, between the Argentine invasion on April 2 and his return on June 26. Yet the costs of the war were high, especially for Argentina. According to official statistics, casualties in the Argentine army alone totaled 1,366 dead, wounded, and seriously ill, while significantly lower casualty rates were suffered by the navy, the air force, and the British military. Alongside the loss of human life and the destruction of expensive ships and aircraft, Argentines once again paid the price of euphoric expectations, which swelled at first with what seemed the successful reconquest of national territory, only to be destroyed in time by a series of military defeats.

Leading up to the Argentine occupation of the islands on April 2 was faulty planning. The administration of President Leopoldo Galtieri failed to estimate the British and United States positions correctly; it made fundamental errors in its strategic planning and foreign intelligence. First, the Argentines hoped that Britain would not fight for islands of almost negligible commercial value located 8,000 miles from Britain. But Britain did fight, and not simply to "resist aggression." The Falklands (Malvinas) had the same importance for the British as for the Argentines: to establish a wide area around them to explore for oil and gas, to firm up claims to a large slice of Antarctica contested between the two nations and, most of all, to demonstrate to the domestic population that the nation—and its current leaders—could defend a territory that both countries had claimed for a century and a half.

Second, if war came, it seemed reasonable to Argentina to assume that the United States might remain neutral, instead of taking the British side. The administration of President Ronald Reagan had downplayed the human rights crusade of President Jimmy Carter

²In an interview with Mariano Grondona on *"Tiempo Nuevo,"* Economy Minister Roberto Alemann said that the United States Defense Department backed Argentina while the United States State Department and Secretary of State Alexander Haig, who had once commanded NATO, supported Britain. Alemann linked United States views on the conflict with the United States need for Argentine military support in Central America. See FBIS, *Latin America Report*, no. 2517 (June 7, 1982), p. 25.

³The letter is reprinted in FBIS, *Daily Report: Latin America*, vol. 6, no. 101 (May 25, 1982), pp. 10-11.

⁴From an article by Oscar Camilion in *Nueva Provincia* (Bahia Blanca), reprinted in FBIS, *Latin America Report*, no. 2509 (May 20, 1982), p. 37.

that had so strained official relations between Argentina and the United States. And Reagan officials clearly wanted Argentine military advisers to assume counterinsurgency roles in Central America because domestic political considerations in the United States made it very difficult for North American advisers to do so. Furthermore, President Galtieri had many friends in the United States military because he had spent time in Washington. In fact, early in the war, Argentine leaders claimed that "the Pentagon" sided with Argentina,² as some United States officers undoubtedly did privately.

When the war came, however, the United States could not maintain its initial neutrality because of the crucial role that Great Britain plays in the North Atlantic Treaty Organization (NATO) and in countering pressure from the Soviet Union. Thus, Argentine optimism about both Britain's unwillingness to fight and about United States neutrality proved unfounded. The Argentines had believed what they wanted to believe. More effective strategic planning and better foreign intelligence could have pointed to the errors and danger implicit in these assumptions. But because Argentina had not fought a war for over a century, its capacity to provide this sort of intelligence had not been developed.

What the Argentines did have was an emotional commitment to the islands. Historically, they defined Britain as the aggressor. President Galtieri summed up this position in an open letter to Cuban President Fidel Castro, thanking Castro and the other leaders of nonaligned nations for their statements of support. As Galtieri wrote,

The origin of the conflict over the Malvinas, South Georgias and South Sandwich Islands goes back to the usurpation by British Government forces in 1833, seizing Argentine territory, thus openly violating the principle of territorial integrity, and expelling the already established population, which was followed by the settlement of a population belonging to the aggressor power.³

The Argentine people were strongly united behind the drive to regain control of the Malvinas, which Argentine textbooks and popular opinion have always defined as part of Argentina. The conflict in the South Atlantic galvanized Argentine nationalism, still a potent force in the 1980's. A provincial newspaper declared,

It is our historic responsibility to build a great nation in Argentina. The sovereign feat of recovering the Malvinas is one of the steps that could bring an entire people to stand up and conquer their destiny.⁴

Instead of showing how the national destiny could be fulfilled, however, Argentina's defeat once again frustrated popular hopes and expectations, despite the fact that, in the long run, the struggle may push the British to relinquish unilateral sovereignty over the islands.

Militarily, Argentina made several errors. The air force came out of the war with the most glory, because its missiles were able to destroy several British ships, inflicting considerable loss of life. The navy, whose leaders had been the most bellicose before hostilities, prudently kept its ships near the Argentine mainland, out of reach of British nuclear submarines and Harrier aircraft, especially after the loss of the cruiser *General Belgrano*.

Most mistakes were made in the army campaign on the ground. The field commanders neglected three classic tenets of strategy: the Argentines did not launch a ground attack against the beachhead landing force of the British, where it was most vulnerable; the Argentines did not fight hard to maintain the hills overlooking Port Stanley; instead, by losing the high ground, they made defense of the capital nearly impossible; and, instead of using the best-trained, professional troops as a spearhead against the British, General Mario Menéndez dispersed them in an unsuccessful attempt to bolster units made up of recent conscripts. Furthermore, while some officers fought with dedication (with medals for bravery going to officers at the rank of major and below), many field commanders left their men for the safety of the rear echelons. In many cases, it was the heroism of new recruits, fighting alone, that held off the British as long as possible.

ERRORS IN PROPAGANDA

In the retrospective shadow of defeat, government propaganda also looks ill advised. Governments at war carefully monitor the public flow of information, and the administration of British Prime Minister Margaret Thatcher withheld a great deal of information in 1982, alleging that it would help the enemy. As in World Wars I and II, the British also proved very skillful at sending out news reports that won sympathy for their cause, particularly in the United States.

In Argentina, the propaganda was more exaggerated and ultimately more detrimental. Tracing the Argentine public mood from euphoria in April to defeatism in May and anger in June, the *Latin America Weekly Report* (London) accurately summed up media coverage by saying that the Argentine government "was careful not to lie, but its spokesmen filled the press with the most outrageous speculation."⁵ Official reports continually painted a more optimistic picture of events than was justified, so that it was all the more frustrating to accept the final defeat. This propaganda, including the use of slick advertising techniques,

worked over time to undermine further the confidence of citizens in their government. Because it exemplified another handicap of authoritarian regimes, demonstrating that informed public opinion may be a useful check on the governors, it reinforced Argentine desires for free elections and a return to civilian rule.

Despite questionable practices in battlefield strategy and home-front propaganda, the Argentine initiatives of 1982 greatly increased the costs for Britain of maintaining control over the disputed islands. Even in defeat, Argentines are proud that they stood up to Britain. As one journalist put it in a sober article in *La Prensa*, "Argentina has already proved that it can wage war with dignity" and "can also put the world's number three military power in a tight spot, not to mention the fact that the latter is being helped by the world's number one military power."⁶

From a strategic standpoint, the war indicates that the Argentines must make changes if, as seems likely, regaining the territory remains their central military focus. Officers must be trained for command in the field and, instead of depending largely on conscripts, more permanent units of professionals must be assembled so that they can match British professionals like the Gurkhas, the Royal Marines, and the Scots Guards. High technology equipment, like the aircraft and missiles that proved so deadly in the 1982 war, must be procured in larger amounts.

The costs of this procurement raise the issue of the future level of Argentine military spending. An intriguing document, published in *La Nación* during the conflict, suggested that both Argentina and Britain were spending 4.5 percent of their gross domestic product on the military; yet, given the larger size of the British economy, total British spending was three and a half times greater.⁷ Rationally, and from the standpoint of productive investment and economic growth, Argentine military expenditures should very likely be reduced rather than increased. Defeat in the war has led many Argentines to question the effectiveness of money already spent on the military. Yet in the emotional climate of defeat, and given the fact that the national government must give military officers a *raison d'être* other than domestic politics, vast amounts of tax revenues will probably pour into military preparedness over the years ahead.

As for Britain, at least in the short run, the short-lived Argentine occupation of the islands has stiffened British resolve to hold them. After the war, Argentina again moved to schedule talks with Britain, and the United States and the countries of Latin America supported these negotiations in the United Nations. At the same time, recognizing that a detachment of 84 British marines had been unable to prevent invasion from Argentina, the government of Prime Minister Thatcher has drawn up plans to invest heavily in the

⁵"Argentina: Public Hangover," *Latin America Weekly Report*, July 2, 1982, p. 2.

⁶Article by J. Iglesias Rouco, *La Prensa*, May 28, 1982, pp. 1, 4, reprinted in FBIS, *Latin America Report*, no. 2528 (June 25, 1982), p. 37.

⁷From *La Nación*, April 13, 1982, p. 13, as reprinted in FBIS, *Latin America Report*, no. 2499 (May 7, 1982), p. 4.

islands and to turn parts of them into areas for military training, thus assuring the continuing presence of military personnel. From the British point of view, the lives lost in retaking the islands worked to obviate negotiations and to justify heavier peacetime expenditures so that the islands would not be invaded again.

In the long run, however, the Argentine escalation of British cost may change the status of the islands. Many in the Labor party favored negotiating a settlement without resort to force; and, in the war's aftermath, a source as conservative as *The Economist* (London) proposed that Thatcher should work to "internationalize" the islands. Britons have to weigh the benefits of holding the territory against a significantly elevated price for doing so. *The Economist* editorialized,

The blood of British dead does not demand that every inch of Falklands territory be a British dependency forever, any more than £2 billion spent and to come on recapturing the islands demands that £100m a year be spent in garrisoning them indefinitely. . . . There is no excuse for not starting to avoid the next Falklands war.⁸

AFTER THE WAR

Outside the military sphere, Argentina continues to face grave problems since the war, not so much as a result of the hostilities as of the economic policies and political antagonisms that antedated them. The national economy is in shambles, with unemployment at record levels, many firms in bankruptcy, and a massive international debt. Politically, the war brought in a new President, temporarily disrupted the ruling junta, and caused lasting splits within the military establishment itself. While civilian politicians demanded a return to civilian rule, it remained very difficult to work out a formula for military disengagement which, many felt, would have to include guarantees that those in charge of the government after the coup of 1976 would not be prosecuted for human rights violations and for errors in the Malvinas struggle. After a visit from Pope John Paul II, the Argentine Catholic Church tried to support centrist solutions and elections for a new government, but even the Church seemed at a loss to find policy guidelines to resolve fundamental conflicts that defeat in the war had made all the sharper.

The Argentine economy reached its nadir in the last half of 1982. As former Economy Minister Aldo Fer-

⁸"A Better Falklands: Mrs. Thatcher Is Strong Enough to Seek a Solution that Will Outlast Her," *The Economist* (London), November 13, 1982, p. 12.

⁹From an interview with Aldo Ferrer printed in the *Buenos Aires Herald* on May 19, 1982, p. 9, and reprinted in FBIS, *Latin America Report*, no. 2516 (June 4, 1982), p. 14.

¹⁰"Argentina's Economy: Back from the Brink?" *The Economist*, November 20, 1982, p. 69.

¹¹Aldo Ferrer, "Economía argentina y estrategia preindustrial," in Alain Rouquié, ed., *Argentina hoy* (Buenos Aires: Siglo Veintiuno, 1982), p. 117.

rer commented, "The indicators—production, employment, real wages, external debt, inflation and budget deficit—are the worst in history."⁹ During the first six months of the year, the gross national product fell by 7 percent, and the manufacturing sector produced at only half its capacity. Inflation, which was running at 100 percent a year before the war, rose to an annual rate of over 450 percent in July and August. From October, 1981, to October, 1982, inflation rose by 193 percent.¹⁰

As Argentines faced this price escalation, many lost their jobs—far more, in fact, than the official unemployment figures reveal. Government indicators placed unemployment at 13 percent of the work force in February and 18.5 percent in September, but unofficial surveys by responsible national firms suggested that more than one Argentine worker in four was without steady employment. In order to survive, those laid off frequently turned to what the Argentines call *cuenta propia*, self-employment in the service sector generally or in tiny, one-person shops selling cigarettes and similar items, which add almost nothing to the productivity of the nation.

Furthermore, the unemployment figures of the Argentine government, like those of the United States government, do not include "discouraged workers," those who no longer actively seek employment. In Argentina, the category of "discouraged workers" includes an especially high proportion of women, who have simply ceased to look for jobs outside the home and are no longer counted in the unemployment statistics. Like it or not, the weakness of the economy has forced a great many Argentine women to return to more traditional roles, depriving them of the social freedom that a personal income provides.

Economic failings have also helped to force 800,000 people to emigrate from Argentina since 1976.¹¹ Some left because of political repression, but most left seeking economic opportunities. Members of the middle class, often highly skilled professionals and technicians, went to higher paying positions in Europe and North America. Paraguayans, most of them members of the lower class who performed jobs that Argentines did not want to accept, simply returned to their country.

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Frederick C. Turner has edited a collection of essays with José Enrique Miguens on the various dimensions of Peronism and its relevance to contemporary Argentina, *Juan Perón and the Reshaping of Argentina* (Pittsburgh: University of Pittsburgh Press, 1983). He is the author of *Catholicism and Political Development in Latin America* (Chapel Hill, University of North Carolina Press, 1974); and *Responsible Parenthood: The Politics of Mexico's New Population Politics* (Washington, D.C.: The American Enterprise Institute for Public Policy Research, 1975).

"Two years ago Colombia appeared to be coming apart at the seams; in the phrase of Carlos Lleras, un país desencuadrado. . . . But again the country muddled through, and the 1982 elections demonstrated unsuspected political maturity."

Colombia: Old Problems, New Opportunities

BY JONATHAN HARTLYN

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LATIN America is characterized by extremes of revolutionary violence and brutal military dictatorships, dramatic economic growth and precipitous declines. Unlike many of its continental neighbors, Colombia has avoided both military rule and chronic political and economic instability since 1958, when the leaders of the country's two main parties came together to form the National Front. Subsequently, the country has confronted potentially serious crises that have threatened to topple the regime during each presidential term, and each time the country has muddled through, albeit inelegantly and imperfectly. This pattern was especially true in the post-National Front governments of Liberals Alfonso López Michelsen (1974-1978) and Julio César Turbay Ayala (1978-1982). Under Turbay in particular, political ossification, economic decline and militarization all appeared to be increasing.

In 1982, old problems—especially the economy—intensified, and new opportunities emerged, because of a change in political leadership. The most significant event in Colombia in 1982 was the convincing and surprising victory in the May, 1982, presidential elections of Conservative Belisario Betancur, head of a National Movement (*Movimiento Nacional*); his victory was only partially attributable to the fact that the Liberals split their vote between two candidates. In June, the state of siege decreed in 1976 and in effect for most of the country's history since 1949 was lifted, effectively nullifying the highly criticized statute on security. "Belisario" was inaugurated in August in an atmosphere of optimism.

The new President will need all the goodwill he can muster because he has inherited serious problems, including the country's worst economic recession in 40 years, continued high levels of crime and extensive

drug trafficking with its associated corruption; the question of amnesty and the political reintegration of former leftist guerrillas, and diplomatic challenges regarding relations with the United States and attitudes toward Central America and the Caribbean.¹

For Colombia, as a columnist in *El Tiempo* (Bogota) noted, the 1982 elections represent "an unsuspected institutional maturity."² The last time the Liberal party lost to the Conservatives in competitive elections was in 1946, elections in which the party also presented two candidates. Those elections were the prelude to the tremendous interparty violence that left 200,000 dead and eventually led to the National Front agreement. In 1982, few considered interparty violence a serious possibility, and many Liberals actually voted for Belisario. This was a legacy of the National Front period.

The Liberal and Conservative parties emerged from the National Front period weak and deeply factionalized, with inadequate organizations. Population growth, massive rural to urban migration, little organizational party effort and the very experience of the National Front (in which Liberals and Conservatives were twice asked to support presidential candidates of the opposing party) led to declines in party identification. These factors helped create a floating electorate potentially mobilizable by different parties and movements. Over the past decade, however, this electorate has often failed to vote, and elections have been decided by small margins of voters often mobilized by patron-client ties or machine-style politics.

In presidential election years, abstention rates have fluctuated far more, depending on whether or not elements of the floating electorate were mobilized to vote. This electorate made its first appearance in the relatively high turnout 1970 elections, in which the National Popular Alliance (ANAPO—*Alianza Nacional Popular*) movement of General Gustavo Rojas Pinilla nearly won (many feel fraud kept the victory from him). Belisario Betancur was also a dissident candidate in these elections. In 1974, some Rojas supporters and many Liberal sympathizers who traditionally abstained from voting turned out in large numbers to give Alfonso López an overwhelming victory over Conser-

¹This article is based in part on Jonathan Hartlyn, "Con-sociational Politics in Colombia: Confrontation and Accommodation in Comparative Perspective," Yale University doctoral dissertation, 1981. Additional material was collected in a research visit in the summer of 1982, for which financial assistance from the Vanderbilt University Research Council is gratefully acknowledged. Detailed source notes for this article are available on request.

²*El Tiempo*, June 2, 1982.

vative Alvaro Gómez Hurtado and the ANAPO candidate, María Eugenia Rojas de Moreno Díaz.

In 1978, Belisario Betancur tried unsuccessfully to capture elements of the potentially mobilizable electorate, particularly independents and disgruntled Liberals, by running as a candidate of a "National Movement" of Conservatives, dissident Liberals, Christian Democrats and remnants of ANAPO. Candidate selection within the Liberal party in 1978 came down to a choice between Turbay, who was backed by President López and the favorite within the traditional party machinery, and Carlos Lleras Restrepo, President from 1966 to 1970, and a harsh critic of the López government. The February, 1978, congressional elections served as a primary, and Turbay overwhelmingly defeated Lleras, except in the country's major urban centers. Betancur faced a weakened Liberal party, for Lleras refused to endorse Turbay, though he did withdraw from the race. Yet only 39 percent of the electorate voted, and Turbay won a narrow victory.

The "National Movement" strategy appeared viable, and the stage was set for Belisario to try again. Both major factions of the Conservative party, the Alvaristas (headed by Alvaro Gómez) and the Ospino-Pastranistas (led by Bertha de Ospina and Misael Pastrana), entered Turbay's Cabinet. Belisario remained outside of government and was free to criticize it. He successfully overcame an attempt by Alvaro Gómez to capture the nomination at the single Conservative convention, and in late 1981 was once again running for the presidency as the head of a "National Movement."

Within the Liberal party, there was no clear presidential candidate for 1982. The principal aspirants were Virgilio Barco, who was more of a technocrat than a politician and appeared to lack the stamina for the drawn-out campaign, and Alberto Santofimio, a traditional politician with a strong base in Tolima, who was seeking the candidacy from outside the party rules. These rules had been established by a party directorate formed by three ex-Presidents, Alfonso López, Alberto Lleras and Carlos Lleras, and the Cauca Senator, Victor Mosquera Chaux. The two Llerases sought assurances that López would help them oversee the party nomination process and not participate in it. After complex maneuvering, however, López emerged as the party candidate, and the Liberal party was irrevocably split. Barco, who had received support from many former Lleristas, refused to run as an anti-Lopista candidate, and the task fell to a young collaborator of Carlos Lleras, Luis Galán Sarmiento.

³The 1968 reform that dismantled the National Front amended the constitution to require that from 1978 on the winning party was to provide "adequate and equitable" participation in the executive branch to the party receiving the second highest number of votes.

Galán's movement of New Liberalism (*Nuevo Liberalismo*), formed in 1979, attacked the Turbay government and the forces behind the López candidacy as reflecting an opportunistic, clientelist, corrupt and calculating political caste; Lopistas countered that Galán represented an urban, elitist, middle and upper middle-class rejection of emerging social groups in society, wrapped in a moralistic package with potentially fascist overtones.

At the same time, Belisario's campaign possessed advantages it had lacked four years earlier. Because of growing dissatisfaction with the eight years of Liberal rule and the intense antagonism many felt toward López, his campaign enjoyed a significant increase in financial resources. Furthermore, the Conservative party was now united behind Belisario. Finally, the split in the Liberal ranks was now openly represented by a candidate.

Belisario's "National Movement" appealed to the potentially mobilizable voters, particularly in urban areas where strong identification with the political parties had continued to decline. His campaign strategists saw that after the years of sectarian party violence, broad sectors of the population favored the idea of the National Front; of coalition rule, because of its promise of continued peace, and would support a National Movement. Given the constitutional requirements for coalition rule, National Front appeals were somewhat artificial, although extremely well-managed.³ Belisario also attacked clientelism and corruption and focused on selected popular issues, especially housing with no down payment and university education by correspondence. Belisario's populist credentials were strengthened by endorsements from Gloria Gaitán, daughter of Jorge Eliecer Gaitán, and from María Eugenia Rojas. María Eugenia's appeals to ex-Anapista in the lower-class districts of the country's major urban centers were especially effective.

The Lopista campaign was predicated on attempts to mobilize Liberal sympathizers. The campaign tried to polarize the electorate, because more than half the country was still identified as Liberal. Lopez's major slogan was that "Peace is Liberal," an ambiguous reference to the dangers of a Conservative victory and an attempt to benefit from concerns about criminal violence and guerrilla attacks. Lopez also argued that the country needed to rescind the constitutional clause on coalition governments and move to a clearer pattern of government and opposition between the two traditional parties. To counteract the Lopez campaign strategy, Belisario was careful not to over-identify with the Conservative party.

Fearing that President Turbay might not permit a Liberal defeat, Belisario's campaign mounted an elaborate machinery to guarantee that fraud would not rob them of their expected victory. As the results came in it was clear that Belisario had won a convincing

victory. With 54 percent of the electorate abstaining, Belisario received 46.5 percent of the vote, defeating López by nearly 400,000 votes (López received 40.9 percent of the vote and Galán, 10.9 percent). Major electoral shifts in three areas of the country between March and May were especially significant in explaining Belisario's victory. López's vote on the Atlantic Coast—the region where vote-buying and machine favors are most deeply entrenched—fell by 230,000 votes compared to the March elections, while Belisario's increased almost 60,000. In Bogotá, López's vote rose over 100,000 votes, but Belisario's increased over 200,000. And in Antioquia, the new President's birthplace, Belisario received some 170,000 more votes than the Conservatives had won in March. The effect of Galán's dissident candidacy on the election is difficult to gauge. Electoral polls completed for Belisario's campaign in April suggested that without Galán's candidacy, Belisario would have received an even more convincing victory.

The great loser in these elections was the Left. In March, leftist parties won only one Senate seat and two seats in the Chamber of Representatives. In seeking a joint presidential candidate, many of the leftist groups had agreed on Gerardo Molina, a widely regarded scholar and social democratic critic of the Liberal party. However, ideological divisions and personality conflicts basically reduced Molina's support to the Communist party, and he was only able to garner 1.2 percent of the vote. The Left has been unable to channel the country's social unrest to its electoral advantage.

The 1982 presidential campaign may be a watershed in Colombian history, for it represented a victory of modern campaign techniques over dependence on traditional party machinery and informal campaign planning. Yet Belisario's victory was undoubtedly helped by the disrepute of both the López and Turbay governments, the unhappy memories many had of the López government, and the serious divisions within the Liberal party.

THE ECONOMY

The economy played an important role in determining Belisario's victory in 1982, just as it had contributed to the Liberal near-defeat in 1978. In the past four years growth rates have steadily declined, and the new government has inherited a recession and a critical fiscal deficit that will constrain its ability to translate its populist campaign pledges into government programs. Nonetheless, because of major energy investments, longer-term growth prospects are brighter.

The current critical economic situation has its roots in the López years. The unexpected bonanza of dollars generated by unparalleled world market prices for coffee, as well as the uncontrolled influx of money from drug cultivation (marijuana on the Atlantic Coast) and

trafficking (cocaine), spurred inflation, catching the government unprepared, even as it induced an expectation of national prosperity that was not realized. The López government responded by collecting international reserves, cutting back drastically on public investment (including social welfare programs), tightening credit and effectively revaluating the currency. The country's other exports, many of them already affected by world trade conditions, were further damaged by these measures. The government's fiscal situation had been healthy because of a large-scale tax reform in 1974, but the increased inflation with no improvement in administrative procedures led to massive tax evasion and partial legislative retrenchment.

The Turbay administration had based its development plan on an expansion of government spending for basic infrastructure projects, particularly in transportation and communications. Redistributive measures were shunted aside. The coffee bonanza ended in mid-1980, and without government expenditures, the country's growth rate might have flattened completely. It did, however, decline from a high of 8.9 percent in 1978, to 4.8 percent in 1979, 3.5 percent in 1980 and only 2.5 percent in 1981. In 1982, the economy apparently continued its decline.

To finance its development plan, the Turbay administration increased external government borrowing, although Colombia's external debt, under \$8 billion, remains modest by continental standards. As tax evasion continued and revenue from taxes declined, the government increasingly financed its burgeoning budget deficit by means of the country's "special exchange account," which includes an ad-valorem tax on coffee exports, revenue generated by the buying and selling of foreign exchange, and interest on international reserves.

During the Turbay years, the decline in industrial expansion that had begun in the López government turned into an outright industrial recession. In 1981, industrial production in real terms was down 2.6 percent, a figure exceeded in 1982. This was due to a combination of factors: continued reliance on monetarist policies to control inflation, leading both to tight credit and high interest rates; reductions in some levels of industrial protection and the granting of import licenses for a number of industrial goods; contraband (at times facilitated by the abuse of import licenses); lessened world demands for industrial goods; and the continued sluggishness of the exchange rate in relation to major world currencies, in spite of the fact that the pace of the "crawling-peg" devaluation increased in the last two years. Agricultural productivity has not declined so much as industry, although the country has had to import large quantities of food.

A massive underground economy is fueled primarily by drug trafficking. Estimates of internal income generated by drugs range from \$1.6 billion to \$4 bil-

lion dollars annually. A combination of the industrial recession, large sums of money in the country, and the rapid, unregulated growth of the financial sector led to a financial crisis in the final weeks of Turbay's administration. Financial anomalies and the overconcentration of loans to related enterprises were discovered in one of the financial companies of the "Grupo Colombia," one of the smaller financial conglomerates formed to take advantage of the large sums of money in the economy. The crisis soon spread to the conglomerate's bank, the Banco Nacional, which was liquidated in September. Panicked withdrawals of deposits also forced the government to intervene in the "Grupo Santa Fé." The Banco del Estado and the Banco Comercial Antioqueño, the country's fourth largest bank, were also shaken. Betancur's government nationalized the first and forced management changes in the second. Other small banks and financial companies also suffered from a lack of depositor confidence, but the crisis appears to be contained, with government assistance.

The aftermath of the financial panic was the first crisis faced by the new President's economic team. In fact, the team was appointed only days before his inauguration and has been more involved in crisis-management than in strategic planning. These next years should see some shift away from economic liberalism and an increase in industrial protectionism. Edgar Gutiérrez Castro, the new Minister of Finance, has criticized the policy of the past two governments as excessively monetarist. In addition, none of the seven economists named to the new Economic Advisory Committee are identified with extreme views of economic liberalism or "Chicago School" policies. Yet three months after Belisario's inauguration, his government's response to the country's recession was still unclear; and María Eugenia Rojas, the newly appointed head of the public housing agency, announced that instead of the 20,000 housing units with no down payment promised for 1982, no units would be available until the middle or end of 1983.

The country's balance of trade for the next few years is almost sure to decline, because prospects for coffee and other major exports are not promising. However, for the longer term, Colombia's economic health should improve. By the mid- to late 1980's, Colombia should be an energy exporter. Under the Turbay administration, major investments in nickel and in oil were made. In addition, contracts were signed for the exploitation of the massive coal deposits at "El Cerrejón." The contract for the larger northern deposits between the state-owned Caribacol and the Exxon-affiliate Intercol calls for eventual investments of \$1.5 billion each. This contract was harshly criticized by some Colombians, especially the Galanistas, for not having considered all the implications of the investments and for being too generous to Intercol. Export

earnings that could be generated by this investment are extremely high: perhaps \$2 billion by 1990. However, as faltering oil revenues in Mexico have demonstrated, world market conditions in energy are unpredictable, and it would be dangerous for the country to borrow excessively on international capital markets with the assumption that coal earnings could back these loans.

THE AMNESTY QUESTION

During the Turbay years, the country faced its most serious guerrilla threat in decades, and Turbay permitted an expansion of the role of the military unparalleled by any other contemporary Colombian President. The new President is vigorously seeking a negotiated peace with an unconditional amnesty for the guerrillas and their integration into the political life of the country.

The guerrilla threat emerged during the López presidency. The Movement of the 19th of April (M-19), taking its name from the 1970 elections in which it felt General Rojas was defrauded, first struck by robbing Simón Bolívar's sword, a national treasure, from its museum display case. The kidnapping and killing of a pro-regime labor leader and the multiple kidnappings of industrialists followed. Between 1974 and 1978, the M-19 and other groups abducted 417 people for ransom money totaling over \$6 million. Then, in January, 1979, the M-19 removed 4,000 arms from an army arsenal in Bogotá. By 1981, the movement had turned increasingly from urban activities to rural struggle. Three other groups were already operating in the countryside, of which the largest and most important is the Revolutionary Armed Forces of Colombia (FARC). Estimates of the total force of these four groups ranged from 1,800 to 5,000 in 1981.

One of Turbay's first steps on taking office was the enactment of a tough statute on security, which increased the kinds of crimes to be tried in court martials, substantially augmented the powers of arrest of the armed forces, lengthened sentences for crimes like kidnapping and extortion, and prohibited news reports on public disturbances while they were occurring. The ostensible purpose of the statute was to combat the drug traffic; however, it was invoked primarily in the struggle against the guerrillas. Indeed, in 1980 the government decided to withdraw 12,000 army troops from the antidrug campaign on the Atlantic Coast, replacing them with a contingent of 6,000 from the National Police.

Employing the security statute, the administration

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Jonathan Hartlyn is currently writing a book about Colombia. He was a visiting scholar at the Universidad de Los Andes in Bogotá in 1977-1978 and in the summer of 1982.

"It is frequently asserted that political parties wear themselves out in power. In Paraguay . . . the reverse is happening."¹

Stroessner's Paraguay

BY JOHN HOYT WILLIAMS

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IN one of the least surprising "surprises" in Latin American political history, in early October, 1982, General of the Army Don Alfredo Stroessner announced that he would be the Colorado party candidate for the February, 1983, presidential elections. Should the 70-year-old General serve out the full 5-year term, he will have been President of Paraguay for an astounding 37 years: a record surpassed only by Constitutional Emperor Pedro II of Brazil (1845-1889).

What makes Stroessner's announcement noteworthy is that for months preceding it, strong rumor had it that he would not run again. According to this rumor, he was about to tap General Andrés Rodríguez, an old collaborator whom he had recently promoted from Commander of the potent First Cavalry Division (in direct command of troops) to Commander of the First Army Corps (a desk job). Following that promotion, Rodríguez several times substituted for the President at important ceremonies. In retrospect, it is probable that Stroessner was testing the water with the relatively charismatic Rodríguez and that the Colorado party and factions within the military pressed him to declare his own candidacy.

Stroessner is the current record holder among Latin American dictators, of whom John Gunther wrote in 1967 that "nothing much interests him except his work, at which he is indefatigable." He would probably be assured a victory in 1983 (as before) even in a totally free and fair election—authoritarianism swept into office by the electorate—a Paraguayan paradox.

Paraguay, independent since 1811, has a surface area of 157,000 square miles, of which 90,000 constitute the almost unpopulated Chaco, west of the Paraguay River. The population was estimated to be 2.9 million in 1980, plus some 600,000 living in neighboring countries, some in exile. Some 500,000 bilingual (Spanish-Guaraní) Paraguayans live in the capital, Asunción, but most of the population is rural. Only 1.3 percent of the soil is under cultivation, yet more than half Paraguay's labor force is engaged in farming. While the industrial sector is embryonic and the man-

ufacturing sector is poorly developed, smuggling has become a major source of national income. Brazilians have been seeping across the borders into northern and eastern Paraguay in large numbers, in part because of the immense binational construction project of the Itaipú hydroelectric complex, which will begin to go on stream in 1984. Itaipú and Corpus and Yaciretá (both built binationally with Argentina) will permit resource-poor Paraguay to export immense quantities of electric power in the future, which should generate a great deal of revenue. Classified as a military dictatorship, Paraguay maintains armed forces totaling less than 20,000 in three branches and an 8,000-man National Police with paramilitary capabilities. Both the armed forces and the National Police are involved in extensive civic action projects.

The history of Paraguay is the history of chaotic politics and recurrent military dictatorship. It is also the history of a nation cruelly ravaged by two major wars (the War of the Triple Alliance, 1864-1870, and the Chaco War, 1932-1935), which tended to glorify the army as the guarantor of national existence. (Stroessner, a young officer, was a combatant in the latter conflict.) Following the Chaco War, a bizarre catalogue of governments rose and fell through coup and counter coup, and a sanguinary civil war was fought in the streets of Asunción and beyond in 1947. Stroessner, commander of the principal artillery regiment during the civil war, was largely responsible for the victory of the Colorado party which, lacking any other viable candidate, pushed him into the presidency in 1954.

From the beginning, political opposition to General Stroessner has stemmed from the other traditional party, the *Liberales*, and from the smaller *Febreristas*, Christian Democrats and Communists. Fortunately for the President, each of the institutional vehicles for opposition is internally fragmented and as a group the opposition has shown no aptitude or desire for cooperation. Most political parties have split leaderships, and the more radical among them are operating from exile. This is even true of the Colorado party itself, which developed a radical wing (MOPOCO), which is based in Argentina.

These bifurcated parties commonly expend more

¹Helene Graillot, "Paraguay," in Jean-Pierre Bernard, Silas Cerqueira, et al., *Guide to Political Parties of South America* (London, 1973), p. 385.

energy lambasting their own constituent parts than working against the regime. Even the miniscule Communist party (long outlawed) is divided bitterly into Moscow and anti-Moscow (Cuba and Beijing) segments. So deeply divided is the political ambient that *Latin America Regional Reports* could headline a September 10, 1982, article "Opposition Plans to Vote Stroessner." Fear of post-Stroessner political anarchy and of "military ambitions has led the opposition parties, paradoxically, to seek protection in the figure of the aging Stroessner."

The General rules Paraguay through the Colorado party, which profits from wide-ranging patronage, and the armed forces, of which he was and (as President) is commander in chief. The military is composed of a professional officer and noncom corps and conscript ranks. Officers and noncoms enjoy extensive perquisites, and even the lowliest two-year service private finds life better in uniform than on the farm. Typical of Stroessner, however, is his genius for defusing potential opposition which extends even to the armed forces; even if the army hierarchy were to grow weary of the President, "it would be no easy matter for the armed forces to carry out a revolt" against him.² For one thing, Stroessner personally deals out all promotions and transfers, from lowly lieutenant through chief of staff. A potential malcontent may find himself assigned to drainage ditch maintenance in the sweltering Chaco, or to an indefinite tour as a military attaché in Uganda. Perhaps more important insurance against military restiveness is Stroessner's personal Presidential Escort Battalion, a very heavily armed force of 1,500 select men screened for loyalty by the secret police. This unit, which controls almost as much firepower as the rest of the entire army, is essentially outside the control of the army and answerable only to the President. As if this were not enough protection, there is a similar Police Security Battalion of 400 picked men at the President's beck and call, plus some 100 plainclothes secret service men. These 2,000 men of what amounts to a praetorian guard are rarely, if ever, used in the field in counterinsurgency operations but are maintained in and near Asunción. Finally, yet another force is available to defend the President should the need arise. Something of a holdover from the 1947 civil war is the *py nandi*, or "barefoot ones," a Colorado party rural militia numbering perhaps 15,000. Having proved their worth in the civil war and in hunting down guerrillas in the 1950's and 1960's, the *py nandi* should be seen as a potential counterweight to the army itself.³

The Stroessner government, whose major officials

were all personally selected, invests the office of the President with unusual powers, not the least of which are economic. In an average year, the executive branch controls and expends 75 percent of the national budget, while the legislative branch claims a paltry 1 percent.

Besides the military and the political factions, General Stroessner, "the Manager," has effectively "managed" all of Paraguay's other interest groups, albeit not without strain and rancor. The press (essentially an Asunción rather than a national institution) operates under certain restrictions, including occasional overt censorship, government withholding of newsprint, licensing difficulties and, for the obstreperous, closure. Almost every Asunción newspaper has been temporarily suspended several times for stepping on official toes. Roberto Thompson, editor of the influential *ABC Color*, was arrested in 1974 and was closely confined to an interior pueblo for three months for raising editorial questions that offended the government. *Comunidad*, a Catholic weekly harshly critical of the regime in the 1960's, was temporarily suspended twice, had all of its issues confiscated several times, and was permanently banned from publication in 1969. In that same decade, it was not unusual for an issue of *Time* magazine to be seized because of articles deemed abusive to the government. The book publishing trade is also closely monitored, so closely that certain authors, like historian Carlos Pastore and novelist Augusto Roa Bastos, must have their works published abroad. Some criticism, to be sure, is permitted, but only within carefully defined bounds.

Paraguay's fledgling union movement, representing perhaps 60,000 organized workers, is also under close government scrutiny. While the right to organize unions is guaranteed under the labor code, all new unions must apply to and be certified by the Department of Labor to be legal. As long as a union "behaves," it is allowed to exist, but unions can be legally dissolved for a variety of causes, such as the vague "engaging in activities other than those provided in the labor code." When Stroessner came to power, most (perhaps 90 percent) of organized labor belonged to the Paraguayan Confederation of Workers (CPT), a loose amalgam of trade unions loosely linked to the Colorado party and hence considered "safe." Despite the political ties of the CPT, however, in 1958 it declared a general strike over a variety of grievances. The strike failed; and instead of dissolving the organization, Stroessner dismissed its leadership and appointed a police officer as its chief. It is still under direct government control.

ROLE OF THE CHURCH

The Catholic Church, while never very strong in Paraguay, nevertheless constituted a potential focus for opposition to the "Stronato," as the Stroessner re-

²Paul Lewis, *Paraguay Under Stroessner* (Chapel Hill: University of North Carolina Press, 1980), p. 227.

³It is sometimes written that the *py nandi* no longer exists, but in 1968 and 1973, the author witnessed its heavily armed parades in Asunción and in the interior.

gime is often known. Traditionally above politics, the Church is under presidential patronage; by special concordat its clergy is appointed and salaried by the state.

For the first 15 years of the Stronato, the Church was largely quiescent under the Archbishop Anibal Mena Porta, perhaps because the regime was providing some stability, economic progress and vocal anti-communism. By the late 1960's, however, the Church began to champion human rights and social reform throughout Latin America, even in Paraguay, where a large proportion of the clergy is of foreign origin (many of these *regulares*, members of religious orders). With the growth of the Catholic University (founded in 1960) and an influx of foreign Jesuit professors, the Paraguayan Church had a forum and vehicle for reform and a dynamic team of spokesmen. Encouraged by the free discussion of ideas in the university, many parish priests in the poor barrios and in the interior and even the Auxiliary Bishop of Asunción, Anibal Maricevich, began to preach and demand social change. These activists and a growing Catholic Youth Organization began organizing workers and peasants, creating Christian Agrarian Leagues, publicizing what they called the "genocide" of the Paraguayan Indian and performing Peace-Corps-style labor in the villages. *Comunidad* became the clarion of the reform movement, and a Church radio station beamed the message to ubiquitous transistor radios throughout the land.

The Stroessner regime felt threatened; and after a string of student protests and demonstrations in 1968, it struck back. Twice, police invaded the Catholic University, damaging the buildings, beating students, and arresting professors, some of whom were deported or exiled. Shocked at this insult to his Church, the Archbishop slapped an interdict on Asunción and excommunicated the police chief and the Minister of the Interior. The regime only toughened its stand, closing *Comunidad*, smashing Catholic Youth rallies with billy clubs, outlawing the Catholic Relief Service and declining to appoint a successor when the Archbishop resigned in anger.

Weakened by new deportations, the Church was soon reeling, with its reformist tendencies drastically muted. After the 1974 discovery of a plot to assassinate the President, another wave of deportations, arrests and expulsions further neutralized the Church. The Stronato had prevailed.

FOREIGN POLICY

Clearly, Don Alfredo has successfully reduced Paraguayan opposition to manageable proportions; at the same time, he has assiduously managed foreign affairs in Paraguay's favor—not an easy task for a landlocked nation sandwiched between two giant neighbors, Argentina and Brazil.

When Stroessner came to power in 1954, Brazil was

not the "Colossus of the South" it was soon to be, and Paraguay's chief trading partner was Argentina, a source of investment funds and culture. Twenty years later the situation had radically reversed itself; and Paraguay was rather in the orbit of the Portuguese-speaking superpower to its north.

Paraguay had long maintained trade and smuggling ties with both neighbors, but the same year the generals seized power in Brazil a good paved road was opened, linking Asunción with the Brazilian frontier at Presidente Stroessner/Foz do Iguassú. With this link to the east and privileged access to Brazilian ports, a new epoch began for Paraguay.

With massive aid from Brazil and the Inter-American Development Bank (IADB), a large hydroelectric dam was built on the Acaraí River near the Brazilian border. Since its opening in 1968, Paraguay has had such a surfeit of electric power that it has been selling a large share to both Brazil and Argentina. In 1973, Brasília and Asunción agreed to joint construction of the huge Itaipú hydroelectric station on the border, based on the world's most powerful waterfall, Guairá (or, as it is known in Brazil, Sete Quedas). Brazil came up with the lion's share of the estimated \$11-billion financing, and Paraguay will repay its neighbor with the major portion of its "share" of the power generated. When Itaipú begins to come on stream in 1983, Paraguay will begin selling the rest of its share of energy on the open market; it needs little for use at home.

Itaipú generated a boom in Paraguay that is just beginning to decelerate. Construction in the general region of the dam and in Asunción and spiraling land values throughout the country created new fortunes, almost full employment, and a great influx of foreign investment. It also caused the "Brazilianization" of Paraguay, which upset many nationalists and jealous Argentina as well. The Brazilian "presence" in Paraguay became almost overbearing; a host of Brazilian companies, ranging from the influential Banco do Brasil to a company which cans hearts of palm, expanded or moved into Paraguay, along with increasing Brazilian aid, development loans, and other assistance.

In 1982 alone, Brazil agreed to finance and provide technical assistance for Paraguay's first steel plant (at Villa Hayes), a major, ultra-modern fertilizer plant, an alcohol-fuel program, and the creation of a series of agribusiness centers for soya-crushing, pulp production and cotton spinning. In return, Brazilian com-

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John Williams was director of the Georgetown University/USAID social science project at the Catholic University in Asunción, Paraguay, in 1973 and 1974. His most recent book is *The Rise and Fall of the Paraguayan Republic, 1800-1870* (Austin: University of Texas Press, 1979).

"A major cause of Central America's political violence is the collapsing regional economy. The region has fallen into a classic vicious circle; economic problems contribute to a political instability which, in turn, aggravates the economic situation. . . . The situation has damaged the prospects for moderate political factions in the region and has contributed to a steady political polarization."

Central American Cauldron

BY RICHARD MILLETT

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SINCE the March, 1982, Salvadoran elections, both the level of American rhetoric and the media coverage devoted to Central America have perceptibly declined. Nonetheless, there has been no moderation of the political turmoil and economic chaos that have plagued the region in recent years. Both economically and politically, the situation at the end of 1982 was at least as bad, if not worse, than it had been at the start of the year. Central American events reflected a growing preoccupation with events in other parts of the world, first in the Falklands (Malvinas) and then in Lebanon, and a realization that no resolution of Central America's problems was likely in the short run.

The perceived threat of a leftist victory had receded, thereby diminishing the possibility of any open United States military intervention. The replacement of Alexander Haig with George Shultz as United States Secretary of State further contributed to a lowering of the rhetoric level. The United States seemed to be hoping for a holding action rather than a victory over local leftists. Unfortunately for Central America, abandoning the search for short-range solutions did not indicate any viable plan for restoring peace and economic growth to the region. Prospects for the rest of the decade were gloomy at best and no end to the violence seemed in sight.

It was a measure of the region's desperation that in 1982 only Belize reached the autumn without experiencing major political change. In Honduras, a civilian government replaced the previous military rulers. In Costa Rica and El Salvador, elections led to the ousting of existing governments and their replacement by opposition parties. In Nicaragua, the governing Sandinista directorate remained intact, but the political scene was shaken by the defection from the revolution of such notable figures as Eden Pastora (Commandante Cero) and former junta member Arturo Cruz. In ad-

dition, growing border clashes, increasing conflict with the Catholic Church, and the imposition of press censorship and a state of seige all served to highlight the steady growth of internal political conflict in Nicaragua. In Panama, the President resigned under pressure from the military; and in Guatemala, a fraudulent election was followed by a junior officers' coup and the installation of a new government headed by a retired general who saw his rise to power as divine intervention in Guatemalan affairs.

All these government changes had little effect on the continuing political violence. Guerrilla activity in El Salvador declined during the summer but escalated again in the fall of 1982. While Salvadoran right-wing death squads had evidently learned that killing United States citizens or Catholic archbishops was counterproductive, they showed no such inhibitions when dealing with their own population. The ongoing slaughter was denounced by Amnesty International, by El Salvador's own Christian Democrats (many of whose leaders were numbered among the victims), by the acting Archbishop of El Salvador and, in a moment of remarkable candor, even by United States Ambassador Dean Hinton.¹ White House certification of Salvadoran progress in human rights led to a chorus of protest from liberal Democrats in Congress. The apparent unwillingness or inability of the Salvadoran government to prosecute those implicated in the earlier killings of American citizens was also a factor.

GUATEMALA

In Guatemala, at least for the first part of the year, the level of internal violence and government-supported terrorism was even worse than in El Salvador. Moderate politicians, labor leaders and educators were prominent targets. Threats were even made against some army officers. The situation was at its worst in some highland areas, heavily populated by Indians. A program of systematic terror had been unleashed, designed to eliminate potential Indian leadership, to kill anyone who had shown any sympathy or support for the guerrillas, and to crush any potential opposition to

¹The New York Times, October 30, 1982, p. 1. Ambassador Hinton's remarks were later sharply criticized by a senior White House spokesperson, nullifying much of their original effect.

government policies. Thousands of Indians were driven from their land. Some fled to the cities, further aggravating the already appalling social conditions and levels of unemployment there. Others crossed into neighboring nations, creating serious refugee problems, especially in Mexico. Still others joined with the guerrillas, giving them virtual control over large rural areas by mid-1982. Bus and truck transport was disrupted; food production was down; and the prospects for all-out civil war seemed high when the army finally moved, on March 23, to oust the regime of General Romeo Lucas García.

The immediate aftermath of the coup seemed positive. The efforts of the far right National Liberation Movement (MLN) to take control of the uprising were rebuffed, and a ruling junta of three officers was installed, headed by retired General Efraín Ríos Montt, the Christian Democratic party's presidential candidate in 1974. (It was generally believed that Montt had actually won the 1974 election but had been defrauded of victory.) Since 1974, Montt had been more active in religion than politics, a convert to a small charismatic Protestant group headed by North American missionaries. At first Ríos Montt seemed to be a front man for the young officers who had carried out the coup; but as time passed, his power grew, although the junior officers retained a vital role. In June, in a bloodless internal coup, Ríos Montt ousted his two partners in the junta and assumed the office of President.

In the aftermath of the second coup there was a dramatic reduction of the level of violence in the capital and other urban centers. Moderate political factions began to operate more openly; a few exiles returned; and the lessened fear and tension were evident. The administration of United States President Ronald Reagan, which had been almost totally frustrated in its efforts to deal with the previous regime, seized on these changes as an opportunity to restore American influence and renew assistance to Guatemala. The new regime was highly praised; preparations were made to include it in the United States-sponsored Central American Democratic Community; some military training funds (IMET) were proposed for fiscal 1983; and, of greatest significance, the proposed aid package of the Caribbean Basin Initiative (CBI) was hurriedly redrawn to include \$10 million for Guatemala. United States State Department officials even began to circulate claims that conditions had improved so much in Guatemala that 2,000 bodyguards and private soldiers had lost their jobs.²

Unfortunately, progress in the city was not matched in the countryside. Reports of massacres of Indians

were more frequent in the summer of 1982. The Guatemalan government either denounced their accusers as Communist supporters or charged that the killings were actually the work of guerrillas masquerading in army uniforms. But evidence of ongoing atrocities continued to pile up and by mid-fall, 1982, even many Reagan administration officials were privately admitting that the regime had failed to curb the slaughter in the rural areas. Ríos Montt did nothing to strengthen his image in the United States when he proudly declared on American network television that in Guatemala they did not hang prisoners, they shot them—a point he underlined with the well-publicized execution of three young guerrilla sympathizers.³

The real victims of the struggle were the Guatemalan Indians. Their way of life, which had survived centuries of Spanish and non-Indian Guatemalan rule and exploitation, was seriously threatened. They were caught between guerrilla demands for assistance and vicious army reprisals, a dilemma detailed in a series of letters written by an American Catholic missionary, Father Ronald Hennessey, to his family in Iowa. In one letter Father Hennessey wrote that:

The army captain killed Diego Perez, animator of the faith in Balej, saying that he is being killed because his brother, who was guilty, had escaped. He ordered the civil patrol to kill with clubs Mateo Perez, Pascual Alonzo, Juan Perez Bartolo and Miguel Bartolo for being guerrillas (they were involved in collecting food for them). . . . Juan Silvestre, his son Juan and a guerrilla who rushed into their house as he was pursued by the civil defense group were badly beaten and thrown into the Yaca jail for the night. They were dead on arrival at San Mateo the following day. . . . (Juan had been hanged, but not killed, by the guerrillas last November for three hours before he agreed to cooperate with them—there was no protection against them until now.)⁴

BORDER CONFLICTS

While internal violence continued at high levels in El Salvador and Guatemala throughout 1982, attention was frequently diverted by the threat of an international conflict along the Honduran-Nicaraguan border. Exile attacks on the Sandinista government of Nicaragua, usually launched from bases inside Honduras, escalated dramatically during 1982, producing a corresponding increase in tensions between the two nations. The Nicaraguans accused Honduras of cooperating with the exiles and with Argentine and United States advisers in an effort to undermine and ultimately to topple their regime. The Hondurans denied the charges and countered by accusing Nicaraguans of attacking Honduran territory.

A major complicating element in this escalating conflict was the presence in Honduras of between 6,000 and 12,000 Miskitu Indians who had fled from Nicaragua. Most of this group arrived in early 1982 when the Nicaraguan government attempted to relocate for-

²Cited by Don Oberdorfer in *The Washington Post*, May 9, 1982, p. 20.

³"CBS Reports: Guatemala," September 1, 1982.

⁴These letters were published in the *National Catholic Reporter*, October 1, 1982, pp. 1 and 17-18.

cibly the indigenous population along the Río Coco. The resulting mass exodus and the destruction of Indian villages damaged the revolution's international image and produced increased dissension at home. The revolution's enemies found new recruits for their attacks on Nicaragua and a focal point for propaganda attacks on the Nicaraguan government. The latter at times bordered on the absurd. Thus the United States Ambassador to the United Nations, Jeane Kirkpatrick, tried to compare the forced evacuation of the Miskitu with the activities of Adolf Hitler; and Secretary of State Alexander Haig mistakenly cited a photograph of the Red Cross burying victims of the 1979 Nicaraguan civil war as evidence of the 1982 Sandinista Indian massacres. But despite such absurdities it was clear that the Miskitu situation had damaged the prestige of the Sandinistas and strengthened the forces arrayed against them.

Border tensions eased somewhat during the spring, perhaps in part because of the impact of the Falklands (Malvinas) crisis, which diverted attention from Nicaragua and reportedly led to a scaled-down Argentine presence in Honduras. By July, however, tensions were rising; stepped-up exile attacks from Honduras had resulted in several pitched battles inside Nicaragua. In response, Daniel Ortega, the head of the Nicaraguan junta, threatened to "support Honduran guerrillas" if the attacks continued, and Nicaragua's Foreign Minister publicly characterized General Gustavo Alvarez, the Honduran military commander, as "a fascist psychopath."⁵

Tensions reached a peak during August when the United States air force began aiding the Honduran army's efforts to strengthen its forces along the Nicaraguan border. At this point, however, cooler heads evidently prevailed on both sides of the border, and the immediate threat of international conflict receded. One factor may have been the desire of the Honduran government to minimize the embarrassment produced by an August 31 press conference held by former army Colonel and general staff member Leonides Torres Arias in which he charged that General Alvarez was planning to start a war with Nicaragua. Of greater importance may have been the September 16 joint approach by Mexico and Venezuela to President Reagan, urging him to avert a war in Central America.

Tensions seemed on the rise again in October, when the scheduling of joint United States-Honduran maneuvers near the border generated a spate of rumors that an all-out attack would be launched on Nicaragua

in early December. Then *Newsweek* magazine devoted the cover story of its November 8 issue to revelations of United States covert operations, largely based in Honduras, against Nicaragua. Administration officials reacted by denying some parts of the stories, affirming other aspects, and claiming that their object was to "keep Managua off balance," not topple the Sandinista government. The maneuvers were hurriedly postponed.⁶ When the Honduran Foreign Minister went to Managua to discuss the situation with the Nicaraguan junta, tensions eased.

NICARAGUA

Although the most serious area of conflict for Honduras and Nicaragua was their common border, both nations faced other threats. Nicaragua's border with Costa Rica was the scene of conflict; there were growing divisions among the Nicaraguan revolution's original supporters and continuing charges of Nicaraguan involvement in El Salvador's civil war, with consequent regional pressures against Nicaragua. The Costa Rican border problem was a scaled-down version of the trouble with Honduras. Exile groups mounted occasional raids into Nicaragua, and Costa Rican authorities, in turn, complained of Sandinista violations of their frontier. There was little evidence of official Costa Rican support of the attacks on Nicaragua; indeed, one complicating factor in the situation was Costa Rica's military weakness.

Internal defections offered a greater challenge to the Sandinistas. In April, Eden Pastora surfaced in Costa Rica and bitterly denounced his former comrades in arms, promising to bring down their government. His military efforts, however, made little impact and were eventually suspended altogether, to avoid any appearance of cooperation with elements linked to the former Somoza dictatorship. The political impact of Pastora's defection was probably more significant, especially after he joined forces with former junta member Alfonso Robelo and embarked on a tour of Europe and parts of Latin America, criticizing the Sandinistas.

Robelo and Pastora's criticisms were strengthened by the ongoing battle between the Sandinistas and Nicaragua's largest newspaper, *La Prensa*, and by growing disputes between the government and the leadership of the Nicaraguan Catholic Church. Official censorship managed to mute *La Prensa's* attacks, but the bishops proved a more difficult problem. An open break was avoided for the moment, but the image of a united nation backing the revolution was badly tarnished. Nonetheless, the Sandinistas continued to portray themselves as the objects of an assault led by ex-Somoza supporters and directed and financed by Washington. This image helped garner both domestic and international support, undermined the credibility of opposition figures like Pastora, and provided justi-

⁵Foreign Broadcast Information Service, *Latin America: Daily Report*, July 26, 1982, p. P9 and July 28, 1982, p. P10. Hereafter cited as FBIS.

⁶"America's Secret War, Target: Nicaragua," *Newsweek*, November 8, 1982, pp. 42-53. For the administration's response see the *St. Louis Post Dispatch*, November 2, 1982, pp. 1 and 9.

fication for a crackdown on domestic dissent and a steady increase in the size and cost of the military establishment. Further reinforcement of Nicaraguan claims that Nicaragua was the victim of an international right-wing plot to overthrow the Sandinistas was provided in October, 1982, when El Salvador's Defense Minister, General Guillermo García, spoke publicly of the necessity for liberating Nicaragua and speculated on the possible involvement of the Guatemalan, Honduran and Salvadoran armies in such an effort.⁷

HONDURAS

Honduras, too, faced internal problems and growing divisions. Reports of arbitrary arrests and even of murders linked to the security forces became increasingly common in 1982. There were also growing charges that the Honduran military was cooperating with the Salvadoran armed forces in antiguerrilla campaigns and was permitting, if not participating in, attacks on Salvadoran refugees. The Honduran response was to charge that the Salvadoran FMLN (Farabundo Martí National Liberation Front) guerrillas were attempting to subvert and terrorize Honduras. After years of managing to avoid direct involvement in Central America's spreading violence, in 1982 Honduras showed disturbing signs of starting down the path to internal chaos.

The most spectacular event in this disturbing pattern in Honduras was the September 17 seizure of 104 hostages, including two Cabinet ministers and the president of the Central Bank, in a takeover of the San Pedro Sula Chamber of Commerce. The group responsible was the Chinchonero National Liberation Movement, a small but evidently growing radical-left guerrilla group. The prisoners were held until September 25, while the government and the guerrillas negotiated a lengthy list of demands that included the release from captivity of both Honduran and Salvadoran guerrilla leaders, the expulsion of United States and Argentine military advisers, and the repeal of anti-terrorist legislation. Ultimately, all that the guerrillas received was safe passage out of the country, but their efforts won international publicity and focused attention on Honduras's growing internal problems.

COSTA RICA

Even traditionally peaceful and democratic Costa Rica experienced some internal political violence from both extreme right and left-wing elements during 1982. The scale remained small, but the psychological effect on the Costa Ricans was considerably greater because they feared that their nation would be swept into the vortex of destruction engulfing Central America. One immediate effect was a clampdown on refugee activities and a growing hostility to foreign influ-

ence. Increasing labor troubles, generated by the deteriorating economy, also increased tensions. But on the whole Costa Rica managed to survive 1982 with its democratic system intact.

A COLLAPSING ECONOMY

The spread of conflict is a symptom as well as a cause of the regional crisis. A major cause of Central America's political violence is the collapsing regional economy. The region has fallen into a classic vicious circle: economic problems contribute to political instability which, in turn, aggravates the economic situation. The weak state of the international economy further exacerbates the problem. The current economic crisis, however, is a product of much longer term trends.

This situation stands in stark contrast to the Central America of the 1960's, a region then experiencing one of the world's most rapid economic growth rates. Basic to this growth was the expansion of regional trade and the development of import substitution industry, both based on the establishment of the Central American Common Market. Another vital factor was the expansion and diversification of export crops, with cattle, cotton and sugar rivaling in value the traditional coffee and banana exports.

These trends produced important changes in Central American society. Both urbanization and land concentration increased. Peasants who remained on the land were left with smaller plots or were reduced to cultivating marginal, hillside land. Others became dependent on seasonal labor on large, commercial farms. The marginalized portion of the population, both rural and urban, began to grow, a pattern that accelerated in the 1970's.

At the same time, urbanization and economic growth produced an expanding urban middle class, dependent on imported consumer goods. Expanded educational facilities, especially at the secondary and university levels, contributed to this growth. Government became the major source of employment for these newly educated individuals, a factor that contributed to the high growth rates of the public sector and national budget during the 1960's and 1970's.

The 1969 war between El Salvador and Honduras shook this fragile economic structure, but a far more severe blow was the rapid rise in petroleum prices that began in 1973. In all Central America, only Guatemala produces petroleum, and its production is considerably below national consumption levels. The growth of the economy had led to strong dependence on imported petroleum, not only to power the autos of the new middle class and the trucks that transport the expanded export crops and industrial production, but also to generate electricity and to provide the chemical fertilizers and insecticides vital to the production of crops like cotton.

To maintain economic growth and pay for both the

⁷Cited in FBIS, October 1, 1982, pp. P3-4, and in *El Salvador News Gazette*, October 4-10, 1982, p. 2.

increased costs of government and petroleum, the Central American nations began to increase rapidly their international borrowing. The combined external debt of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua in 1960 totaled only \$203 million. By 1979, it had soared to more than \$6 billion and in 1982 it was well over \$9 billion. Without rescheduling, service on this debt alone would absorb nearly half of the region's export earnings.

The debt burden was made much worse by two additional factors: the rapid rise in interest rates and the stagnant or falling prices for Central American exports, especially coffee and sugar. The net result was the rapid depletion of regional monetary reserves. These totaled \$789.5 million in 1979, but by late 1982 they had fallen to a negative \$840.7 million. This decline reflected a crisis in the regional balance of payments which, in 1981, reached a total of over \$2 billion.⁸

As the economic crisis deepened, the value of virtually every currency in Central America deteriorated, further fueling an already galloping inflation. In Nicaragua, the government strove to maintain an official exchange rate of 10 cordobas to the dollar, but the black market rate rose to 60 to 1. In Costa Rica, the colon lost over two-thirds of its value in two years. Effects were less severe in the other nations, but in all cases the value of the currency, especially on non-official exchanges, deteriorated noticeably during 1982.

The spread of political violence made the situation worse. Regional trade suffered frequent disruptions, but levels were maintained for a time through government credits, especially those advanced to Nicaragua by other Central American nations. By 1982, these credits were largely exhausted, and the Common Market seemed on the verge of collapse. New private investment had almost ceased. Combined with the virtual bankruptcy of all the governments, a situation further aggravated by increased military spending, this meant massive depression in the construction industry, traditionally the largest urban employer of unskilled and semiskilled labor. The scarcity of foreign exchange and the lack of markets caused many factories to close or to curtail production. Unemployment climbed rapidly, further contributing to social unrest. Fearful of the future, those with liquid capital sought every means possible to send it abroad. Even in relatively peaceful Honduras, capital flight since 1981 was estimated at \$500 million.⁹

⁸*La Nación Internacional* (San Jose, Costa Rica), September 16-23, 1982, pp. 12-13.

⁹The Honduran economy operates on approximately one one-thousandth of the scale of the United States economy. This means that the impact of this capital flight on Honduras was roughly equivalent to the effect that a half trillion dollars in capital flight would have on the United States.

¹⁰*La Nación Internacional*, October 21-27, 1982, p. 12.

As a consequence of all these factors, Central America has entered an era of negative economic growth. This began with Nicaragua in 1978, spread to El Salvador and, by 1982, involved the entire area. Current estimates are that by the end of 1982 the gross domestic product (GDP) of every country will have fallen back to levels of several years earlier. Least damaged remains Honduras, where the GDP for 1982 will be roughly equivalent to that of 1980. In the case of Guatemala, it will be equal to 1979 levels, in Costa Rica, to 1977, in El Salvador, to 1974 and in Nicaragua, to 1973.¹⁰ On a per capita basis, in each case the setback amounts to several more years. In short, a decade of development efforts has been nearly wiped out and prospects for recovery in 1983 are dismal at best. Optimists express the hope that by the end of the decade the region will have again reached GDP per capita levels equal to those of 1978; pessimists fear that those levels may not be regained in this century.

This situation has damaged the prospects for moderate political factions in the region and has contributed to a steady political polarization. In the 1960's and early 1970's, a growing middle class was regarded as the basis for the development of democratic, reformist political forces, like the Christian Democrats in El Salvador and Guatemala, the Liberal party and Christian Democrats in Honduras, the National Liberation party in Costa Rica, and several emerging opposition groups in Nicaragua. But middle-class optimism and faith in the democratic system have increasingly been replaced by fear and a desperate need to hold onto past gains. Buffeted by inflation, civil strife and economic collapse, middle-class attitudes have come more and more to resemble those of their counterparts in Germany in the early 1930's, supporting such far right figures as Roberto d'Aubuisson in El Salvador and Sandoval Alarcon in Guatemala. At the same time, elements of the working class have seen their hopes of attaining middle-class status evaporate; instead, they find themselves faced with the prospect of falling into the lowest stratum of society. Some have responded by supporting the far right, but others have been attracted to the radical left and its promise to overthrow a system that no longer seems able to provide either development or security.

Government efforts to deal with this situation, to control the violence, restore some sense of internal security and halt the economic decline have generally been frustrated. The percentage of the population with an awareness of national issues and a potential for involvement in politics has increased enormously

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"It is necessary to take the long view to envisage Cuba's achievement of its ultimate objectives—a changed economic structure and stable sociopolitical institutions."

Cuba Confronts the 1980's

BY SERGIO ROCA

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IN the past two years in Cuba, several converging developments set the stage for the path that may be followed in the remainder of the decade. Some events may be rooted in the early revolutionary period; others may stem from worldwide economic conditions.

Two long-term demographic factors have influenced the labor force and social welfare expenditures. The birthrate increased by one-third, from 2.6 percent in 1958 to 3.5 percent in 1963. This baby boom generation is now entering the labor force, creating additional pressures on the employment picture. Since 1979, the revolutionary leadership has acknowledged the existence of open unemployment in several economic sectors. This problem may have prompted the government's acquiescence in the 1980 Mariel exodus,* which brought over 90,000 working-age Cubans to the United States.

In 1981, Cuba's top labor official announced the elaboration of "concrete proposals which will allow the creation of useful jobs for our labor reserve."¹ The new system of direct labor contracting by state enterprises, differing from the previous central work-force allocation by ministries, required the institution of unemployment benefits for affected workers. For example, tobacco farms in Pinar del Rio province reduced the number of full-time workers by 50 percent; the remainder were reclassified under temporary status.² No information was given about the size of the unemployed labor force. In addition, disguised unemployment (full-time work at low productivity) continues to plague the economy.

The other demographic issue concerns the aging of the Cuban population. Improved health care, among other factors, has extended the Cuban life expectancy to 73 years, one of the world's highest levels. In 1981,

*Between late April and late September, 1980, some 125,000 Cubans emigrated; most of them settled in the United States.

¹*Granma*, February 2, 1981, p. 3.

²*Bohemia*, September 25, 1981, p. 30.

³*Bohemia*, November 7, 1980, p. 55.

⁴*Bohemia*, August 6, 1982, p. 42. In 1982, the world sugar price went from 11 cents in June to 7 cents in November.

⁵See the comments of Enrique Ubieta of the Banco Nacional in *The Wall Street Journal*, October 5, 1982, p. 38.

about 11 percent of all Cubans were more than 60 years old, and some 750,000 beneficiaries were receiving social security payments. In the next few years, social welfare expenditures for this age group will increase sharply; there will be a special need for investment in geriatric medical and nursing home care. In sum, on the demographic front, Cuba will confront excess labor supplies and increased non-productive spending.

ECONOMIC TRENDS

The production and export of sugar continue to be Cuba's economic mainstays. In late 1980, Cuban President Fidel Castro declared that the sugar industry "is the great purveyor of foreign exchange . . . of resources which the country needs for the rest of the economy and for the service sector."³ Sugar output in 1982 reached 8.2 million tons, the second largest harvest in Cuban history. However, recent years have produced a repeat performance of the historical boom-bust cycle of sugar prices. In late 1982, the world sugar price stood at one-fourth of its 1980 level. At about seven cents per pound, this price is probably well below Cuba's production cost. In July, 1982, Castro admitted that export income would be down 11 percent from the previous year, a minimum estimate since prices continued to fall for the remainder of the trading season.⁴

Partly because of the depressed sugar market, but also because of high interest rates and foreign credit cutbacks, Cuba was faced with a major financial crisis. Over the last decade, the revolutionary government has accumulated a massive foreign debt; in December, 1981, the island owed \$3.3 billion to Western creditors. Financial commitments of over 8 billion pesos to the Soviet Union are supposed to be repaid starting in 1986. In the fall of 1982, Cuba asked for a rescheduling of \$1.2 billion in principal payments due to Western banks within the next three years. In fact, foreign exchange reserves were so depleted that interest installments were jeopardized, thus placing the island at the edge of technical default.⁵ The amount of incremental Soviet aid available to Cuba is probably limited by Moscow's extensive commitments to help ailing East European economies. If Western creditors refuse to

refinance, Cuba's immediate export earnings will be heavily mortgaged.

The immediate impact of the financial crisis was manifested in cancelled investments, plant closings, reduced output and lower living standards, all of which will also severely curtail economic growth. Indeed, the government forecast the 1982 growth rate at about 2.5 percent, but later reduced it to only 1 percent. In July, 1982, Castro painted a bleak short-run economic picture, admitting the possibility of a negative growth rate.⁶ He called for "sacrifices," including increasing coffee and cement exports at the expense of domestic needs. Recent low rates of economic growth in the socialist community, Cuba's main trading partner, together with Western projections of continued sluggishness, do not augur well for the island's need for expansion in that market. In the capitalist area, rising protectionism and the surge of substitute products constitute serious threats to Cuban sugar sales. Against this backdrop, Carlos Rafael Rodríguez, a member of the party's Political Bureau, issued a somber warning:

We cannot have any illusions; 1982 will be a difficult year and we should expect more of the same for the Cuban economy in the next few years.⁷

Confronted with critical choices regarding production specialization and trade concentration, Cuba has reaffirmed its role as sugar supplier to the socialist camp. In 1980, 57 percent of its exports were sold to and 62 percent of its imports came from the Soviet Union. All told, about 70 percent of Cuba's exports go to socialist countries. In the summer of 1981, Cuba signed a long-term sugar agreement with the Soviet Union, East Germany and Bulgaria, committing the island to "significant increases" in sugar deliveries by 1985 and further increments through 1990.⁸ According to the official communiqué, "Cuba is now consecrated as the principal socialist sugar supplier." Indeed, the government has tentative plans to produce over 11 million tons of sugar in 1990 without imposing negative effects on other economic sectors. To achieve these dual objectives will require sharp increases in agricultural productivity (cane per acre, mechanical harvesting) and in industrial efficiency (sugar yield per ton of cane). In the recent past, adequate progress was reported in the former sector, but severe shortcomings continued to plague the latter area.

The struggle against industrial inefficiency is not limited to sugar. In 1981, heavy construction equip-

ment was engaged in productive activity for only 39 percent of the planned time. Four years after its inauguration, an agricultural irrigation equipment plant was still operating at 84 percent of capacity. The completion rate of industrial investments was 32 percent in the first half of 1981; that is, of 86 projects, only 28 were finished on time. Industrial inefficiency is a persistent problem. The construction of a large fertilizer plant in Cienfuegos was begun in 1968, and the facility started operations in 1973; but it had to be rebuilt in 1978 and was aiming to produce at 80 percent of capacity in 1981.⁹ While in 1985 cement production is scheduled to increase by only 1 million tons from its 1981 level, two new plants with a total annual capacity of 3.1 million tons were recently opened.¹⁰ In marginal terms, Cuban planners are estimating only a 33 percent efficiency level for this new investment.

Though Cuba has achieved remarkable overall success in general education and technical training, there are signs of serious imbalances in the availability of critical personnel. Administrators in the mechanical industry reported an "alarming deficit" of lathe operators, which contributed to a low 40-percent utilization rate of machine tools. The dean of a high-level training center for sugar technicians declared that his institution did not have the enrollment to produce the required number of graduates in the next few years. In 1980, over 500 new university graduates and some 3,000 middle-level technicians were assigned on an emergency basis to sugar mills, some of which were without engineers. An additional 458 college seniors majoring in chemistry, engineering, and economics were transferred to sugar mills in 1981.

On the other hand, most observers agree that Cuba is rapidly turning out excess teachers and physicians.¹¹ The problem of human capital imbalance received belated recognition in July, 1981, when the Central Planning Board was charged with estimating the required number of technical personnel and coordinating their allocation among economic sectors.

Finally, Cuba seems unable to generate substantial and permanent improvement in the quality of consumer goods and in the delivery of public services. At least since 1979, there have been persistent and devastating complaints about housing, local transportation, consumer goods and services, medical care, restaurants, water supply, and sewer systems, electric service, and other government operations in terms of low quality, client maltreatment, poor hygiene, unruly queues, uneven distribution, lack of maintenance, and administrative apathy.¹² Some specific cases will illustrate these problems. In the city of Havana, according to Castro, 7,000 families are living in dormitories, 43,000 houses are propped up, and tens of thousands of families are crowded into cramped quarters. Since 1977, repeated campaigns have been waged to raise the quality of health care, yet still in 1982, the Minister

⁶*Bohemia*, August 6, 1982, p. 46.

⁷*Granma Weekly Review*, June 20, 1982, p. 9.

⁸*Granma*, August 13, 1981, p. 2.

⁹*Bohemia*, August 29, 1980, pp. 32-35.

¹⁰*Cuba Internacional*, July, 1982, pp. 6-7.

¹¹In 1982, Cuba had 1,319 physicians and over 2,500 teachers working abroad.

¹²See my article in *Current History*, vol. 80 (February, 1981); and *Bohemia*, December 12, 1980, pp. 62-64; June 12, 1981, pp. 4-7; October 15, 1982, pp. 60-62.

of Public Health was calling for a "total transformation" to eradicate persistent shortcomings, including long waiting lines and maltreatment of patients. On another occasion, the Minister declared:

We still suffer from deficient hygienic-sanitary conditions in child-care centers, schools, boarding schools, and in the camps of the school-in-the-countryside program, where these problems become grave.

In 1979, on the basis of recently introduced qualitative criteria, only 32 percent of health-care units fulfilled the new requirements.

In the field of education, conditions are equally dismal. In the fall of 1980, Education Minister José R. Fernández declared that "we have not achieved the required level of efficiency and exigency in our administrative structure or in our educational activity." That academic year, 34 percent of all secondary schools were engaged in some form of "academic fraud," or cheating, on the part of students and faculty. At the same time, more than 40 percent of science laboratories in secondary schools were out of order. Some school buildings were rapidly deteriorating because of faulty construction and inadequate maintenance, while others suffered from deficient lighting and ventilation.

Deficiencies in consumer goods and services make it especially difficult to increase worker productivity. According to the 1981 annual report of the Ministry of Domestic Trade, almost 70 percent of its 40,000 commercial and service units exhibited "deficiencies" related to supplies, quality and administration. Improper food handling and short-weight portions were reported to be common in restaurants. In 1981, an official of the Ministry of Light Industry declared that "the bulk of the clothing now being offered for sale in retail stores was made in 1977." The director of a shoe factory admitted that due to low quality standards, his product's useful life had been reduced by 75 percent. In 1981, one-third of the television sets available for distribution were rejected by state-owned wholesale enterprises. For lack of refrigeration facilities and industrial processing, over 20 percent of the total production of tomatoes, potatoes, carrots, onions, and other vegetables is now being lost to spoilage. A crash program for building refrigerated warehouses was started in 1981. Recently, the Communist party's central committee had to take strong remedial action to correct gross deficiencies affecting the operations of the system of work-place dining rooms, which feed about 2.3 million patrons daily.

At present, Cuba's leadership is keenly aware that,

despite the great accomplishments of the past 20 years, formidable distributional tasks remain. In fact, since 1980 there has been considerable public discussion about the pressing need for further improvement in rural living conditions. In May, 1981, Castro declared:

Our countryside is not yet totally transformed because there are still many isolated *bohíos* and small houses without running water, without electricity, without roads; many children still have to walk long distances every day to attend school or to visit a physician.¹³

Later that year, Castro explicitly referred to Las Tunas, Ciego de Avila and Sancti Spiritus as "underdeveloped provinces."

In early 1982, a new rural hospital in Camagüey province was staffed with only 50 percent of its normal medical roster. That same year, the administrator of a small-town municipal hospital complained:

We have been seriously affected because . . . [we should have] about fifty physicians but we have only nineteen. We lack services in important specialties such as pediatrics and internal medicine.

This state of affairs prompted Castro to announce the assignment of 600 medical-school interns to supplement the personnel of rural and municipal hospitals.¹⁴

In a revealing comment, Castro recently declared that "now our physicians are much better distributed," but properly refrained from describing the situation as equitable. In 1980, the population-physician ratio ranged from 263 to 1 in the city of Matanzas to 1,750 to 1 in mostly rural Granma province. In recent years, about 60 percent of new hospital beds have been assigned to the most needy rural provinces. Nevertheless, the overall rural rate of 1.7 beds per 1,000 population still lags far behind the city of Havana's 9.9 rate.

However, physicians and hospitals are only inputs, when in fact it is output—good health—that should be the measure of improvement. A widely accepted criterion of public health standards is the infant mortality rate (deaths per thousand live births). Despite an overall absolute improvement, regional differences remain largely undisturbed. In 1980, the rate was 23.7 in rural Guantánamo province, but 9.2 in the city of Matanzas and 12.3 in parts of the city of Havana. Compared to Havana, Pinar del Río's relative position worsened in 1980 to above prerevolutionary levels. In the 1970's, the infant-mortality gulf separating the city of Havana and three rural eastern provinces actually widened; these provinces went backward instead of keeping up with the national capital. Against this backdrop of continued urban-rural inequalities in health care, Castro's recent policy decision "to give special priority attention to rural medicine" is understandable.

An examination of the provincial distribution of housing units built in 1976-1980 indicates a strong positive correlation between the level of urbanization and the rate of housing construction: the five most rural

¹³*Granma Weekly Review*, May 31, 1981, p. 3.

¹⁴For detailed analysis and sources, see Sergio Roca, "Socialist Cuba" in Richard E. Lonsdale and George Enyedi, eds., *Providing Essential Public Services in Rural Areas: International Comparisons* (Boulder, Colorado: Westview Press), forthcoming.

provinces had the lowest rate of housing activity. The 1980 regional distribution of durable consumer goods (radios, television sets, refrigerators, and washing machines) showed that Havana households continue to enjoy a substantial edge in ownership.

Urban-rural differences are also affecting the recruitment and retention of workers in rural areas. Important industrial projects—sugar mills, nickel plants—are unable to attract technical personnel and even nonskilled workers because local conditions (housing, services, recreation) are unavailable or unsuitable. In May, 1982, Castro explained the continued exodus from rural settlements, especially in mountainous areas, in terms of the sharp regional differences in living and working conditions.

In what may constitute a major turning point in the Cuban revolution, there are strong indications of a retrenchment in the full application of the Soviet-type system of economic planning and management that includes greater reliance on markets and material incentives. After courting economic disaster in the late 1960's by implementing the moralistic economic policies advocated by Ernesto "Ché" Guevara, the Cuban leadership publicly acknowledged its "idealistic" mistakes and, after 1970, embarked on a process of "rectification."

However, since 1981 several developments have signaled a probable relapse toward utopian practices. Antimarket tendencies have reappeared in the curtailment of the selling of plan surpluses by private farmers. In fact, individual private farms are rapidly being converted into agricultural cooperatives as part of the process of eradicating the private farming sector. In May, 1982, Castro asserted that the completion of agricultural collectivization will signal the replacement of free peasant markets by government-controlled markets. In another area, education officials have again emphasized the importance of political-ideological factors in determining university admissions. Students are sought who exhibit "sociopolitical behavior" consistent with "the principles and ideology of our socialist state," in addition to academic requirements.

Furthermore, Castro has started to question the use of material incentives and has reaffirmed the primacy of moral incentives in the process of shaping the new Communist generations. In April, 1982, at a meeting of the party's youth branch, Castro almost returned to an espousal of the "leftist deviation" abandoned in the early 1970's. He declared that "we have to insure that socialist formulas do not jeopardize Communist consciousness"; he argued that "material incentives may help to create wealth but will not foster Communist consciousness," and he maintained that "consciousness has to be developed by the party and by the revolution."

These ideological positions contradict standard Marxist theory and run counter to the current Soviet line.

In a remarkable speech on the anniversary of Ché's death, Ramiro Valdés, Interior Minister and Politburo member, declared that the present need to use socialist economic formulas such as markets and material incentives "cannot mortgage our aspiration to advance toward a superior human quality, cannot become an open invitation to selfishness, individualism, the profit motive, and even corruption."¹⁵ In concluding, Valdés stated: "Ché represents the future!"

If fully implemented, it is likely that the new utopian policies will again reduce efficiency and productivity, with dire consequences for the prospects of economic growth.

The second congress of the Cuban Communist party convened in December, 1980, bringing together delegates representing the party's 450,000 members and candidates (about 5 percent of the total population). Fidel Castro was reelected as First Secretary. The membership of the Political Bureau was doubled to include participation by women, workers, small farmers, neighborhood committees, and the central planning board, as well as the expanded representation of the military and the party bureaucracy. The National Assembly of *Poder Popular*, the country's legislature, is composed of 499 deputies: 191 workers, 160 government officials, 99 political and mass-organization leaders, 38 military officers, and 8 small farmers. Fidel Castro was reelected as President of the Council of Ministers and the Council of State. In sum, he remains party chief, government leader, and head of state.

Castro's formal power base is awesome, and he uses it with full force. Due to the secrecy surrounding the party's decision-making process, evidence of his leadership style must be culled from the public forum of National Assembly meetings and press reports. But it is clear that the basic thread of Cuban decision-making continues to run through Castro's needle-eye.

The pattern of centralized decision-making by the top leadership is replicated at lower levels of the party and government bureaucracies. When three Politburo members serve in a committee to choose uniforms for a new medical brigade, it is not surprising to hear labor union chief Roberto Veiga complain that "administrators do not dare to make any decisions until and unless they receive orders from above." If it takes the approval of the Minister of Light Industry to transfer a worker from one local plant to another, it is not puzzling that a retail store manager will feel reluctant to bend the rules to allow a customer to buy a light bulb available only in the display window. Reports of the central planning board are filled with similar examples of what they call "lack of entrepreneurial autonomy."

A predictable result of product shortages, service inefficiencies, and bureaucratic paralysis is the growth

¹⁵*Granma Weekly Review*, October 24, 1982, p. 2 (emphasis original).

of illegal or underground transactions. In May, 1982, Castro railed against "manifestations of corruption, immorality, and theft . . . because there are many violations . . . among judges, prosecutors, police officers, workers, and intellectuals." Most of the transgressions involved foodstuffs and consumer goods and services. Two major campaigns by police and internal-security forces yielded several hundred detainees charged with "abusive and antisocial activities." In the fall of 1982, Ramiro Valdés reiterated the government's commitment to "battle against these problems."

On the other hand, Cuban officials released and allowed the emigration of poet Armando Valladares, who had served a 22-year prison term. But although they are few in number, some long-term political prisoners continue to be held despite justifiable pleas for their release on humanitarian grounds.

Cuba's foreign policy can still be described as internationalist and pro-Soviet. But, increasingly these attributes are being projected into the Latin American revolutionary scene. Leading party theoreticians maintain that the revolutionary path to power followed by Cuba has demonstrated its inevitable general applicability in the cases of Grenada and Nicaragua. On the basis of historical determinism and implied offers of Cuban support, Ramiro Valdés asserted that "nothing shall impede" the revolutionary aspirations of El Salvador and Guatemala. Before a Mexican audience, Faustino Pérez, a member of the party's central committee, declared that Ché "is a seed in the fertile Latin American soil which will no doubt germinate in the future."

In view of these statements, it is difficult (and may be naive) to maintain that Cuba has remained aloof from direct participation in current revolutionary struggles. Nonetheless, Wayne S. Smith, former chief of the United States diplomatic mission in Havana, disclosed in late 1982 that evidence of Cuban arms shipments to El Salvador "has never been solid" with respect to magnitude or timing. Cuban military assistance and civilian aid to the government of Nicaragua have been extensive. Thousands of Cuban troops remain stationed in Angola and Ethiopia.

The Cuban government has also pursued foreign policy objectives in traditional diplomatic ways. Cuba's leadership role in the nonaligned nations movement was instrumental in getting widespread support for Nicaragua's election to a United Nations Security Council seat, a sweet avenging of Cuba's own defeat in a similar attempt two years earlier. The military conflict over the Falkland (Malvinas) Islands allowed Cuba the rare opportunity to join other members of the Latin American community in offering support to Argentina. In a policy reversal, the new Colombian President, Belisario Betancur, has expressed interest in reestablishing bilateral diplomatic relations with Ha-

vana and has told United States President Ronald Reagan that Cuba should be readmitted to the Organization of American States. In trying to balance support for revolutionary movements and normal diplomatic relations with established governments, Cuba may again confront the tactical dilemmas it faced in the mid 1960's. The Colombian case—where Castro is supporting pro-Cuban guerrillas despite Betancur's entreaties—may prove extremely illuminating.

It is too early to tell what, if anything, the accession to power of Soviet General Secretary Yuri Andropov will mean to Soviet-Cuban relations. Castro led a high-level delegation to Soviet President Leonid Brezhnev's funeral and afterward the Cuban leader held extensive talks with the new Soviet leader. An area of potential conflict may develop if, as anticipated, Andropov emphasizes pragmatic economic policies while Castro gives full play to incipient utopian practices.

Under the Reagan administration, United States policy toward Cuba has become uncompromisingly tough, if not openly hostile. In an attempt to curtail Cuba's foreign exchange earnings, President Reagan imposed burdensome restrictions on United States citizens traveling to the island. Plans for intensified propaganda warfare included broadcasts to Cuba by Radio Martí, a Florida-based station manned by Cuban exiles. In the summer of 1982, the United States Senate passed the Symms amendment† that authorized the President to resort to any and all means necessary and available, including the use of military force, to oppose Cuban threats in the hemisphere.

In response to Cuba's external financial crisis, the United States tried to undermine the island's debt restructuring efforts by pressuring Western creditors to demand hard International Monetary Fund-type terms. President Reagan's current preconditions for a United States-Cuban rapprochement are totally unacceptable to Cuba's revolutionary leadership. At present, the possibility of normal relations between Washington and Havana can be discerned only in the distant future.

In this journal two years ago, I emphasized the tentative nature of the process of institutionalization in Cuba and the issue of intransigence. Both features remain deeply entrenched in the Cuban system. It is necessary to take the long view to envisage Cuba's achievement of its goals—a changed economic structure and stable political institutions. ■

Sergio Roca has recently written an article on the delivery of public services to rural areas in socialist Cuba, and is currently writing a paper on the economic impact on Cuba of the United States economic blockade for an international conference in Toronto. He is a contributing editor on Mexican economics to the *Handbook of Latin American Studies*, 1983 ed. (Gainesville: University Presses of Florida, 1983).

†Advanced by Senator Steven Symms (R., Idaho).

BOOK REVIEWS

ON LATIN AMERICA

By **Mary M. Anderberg**

Consulting Editor, *Current History*

EL SALVADOR IN TRANSITION. By *Enrique Baloyra*. (Chapel Hill: The University of North Carolina Press, 1982. 236 pages, map, tables, notes, bibliography and indexes, \$19.95, cloth; \$8.95, paper.)

In 1980, Enrique Baloyra prepared an extensive report on El Salvador for the United States Department of State, and he was an unofficial observer of the March, 1982, election in El Salvador. He has written a thorough analysis of the country's complex political problems, which will be rewarding reading for anyone attempting to understand the forces at work in the current crisis. His book also contains a wealth of reference materials in the form of charts, tables and diagrams, including the composition and organization of the political parties, the mass organizations, the guerrillas and the patterns of ownership of leading Salvadoran families.

In the first part of his study, he reviews the historical roots of Salvadoran economic, social and political problems, showing how a small oligarchy has been able to maintain its power, both economic and political, over a long period.

While economic crises in this century have triggered political change, they have actually strengthened the oligarchy. Various political changes are examined beginning with the 1932 coup, the subsequent peasant uprising led by the Communist Farabundo Martí, and its brutal suppression by the military acting for the oligarchy. The transformation of the republic into an authoritarian dictatorship followed, and the coalition of the military and oligarchy was forged. Since then there have been other political transformations, and several economic and political crises have provided opportunities for a peaceful transition to a democratic state, but in every instance they have been thwarted by the obstructionist actions of the right.

In the second part of his study, Baloyra concentrates on the events since the coup of October, 1979. The fall of Somoza in July, 1979, led the United States to bring pressure on El Salvador to stabilize its political situation and to prepare for a transition to democratic government. Professor Baloyra is critical of the policies of both Jimmy Carter and Ronald Reagan's administrations, believing that these policies did not forward United States goals.

With regard to the March, 1982, election, he agrees with other observers that it was genuine and that the votes were counted without manipulation.

The only obvious form of intimidation was the compulsory requirement to vote. Since the guerrillas boycotted the election, non-voting could be interpreted as support for the guerrillas. He points out that the failure of the Christian Democrats to form a coalition government after the election and the ability of the right to capture control of the government created the impression that the right won the election. He regards the new government as a "contraption" and another attempt to resolve the Salvadoran crisis by reactionary despotism. But in fact, he notes, the Christian Democrats won a plurality; he regards this as an omen for the future.

LATIN AMERICAN MEDIA: GUIDANCE AND CENSORSHIP. By *Marvin Alisky*. (Ames: Iowa State University Press, 1981. 265 pages, preface, notes and index, \$24.95.)

This unique study outlines the degree of freedom or the control of the media in Latin American nations. Marvin Alisky has taught at various Latin American universities and has served as an NBC news correspondent throughout Latin America. In this analysis, he divides the countries into three categories: nations with censorship, nations with media freedom, and nations with various direct and indirect controls for guidance and influence. He points out that a free press has been fully enjoyed only by Venezuela, Colombia, Costa Rica, and before 1970, by Chile and Uruguay. In Latin America, the norm is some form of control or guidance.

In a lively and succinct style, Alisky outlines the political system in each country and the degree and methods of direction of the media the country employs to project a favorable image and garner support. In most countries, old-fashioned methods of censorship and bribery to control the flow of news have been replaced by more modern techniques: the withholding and granting of radio and television licenses, government ownership of the media or joint public-private ownership, subsidies, and the withholding or rationing of newsprint or transmission materials.

BOLÍVIA: THE EVOLUTION OF A MULTI-ETHNIC SOCIETY. By *Herbert S. Klein*. (New York: Oxford University Press, 1982. 381 pages, maps, preface, political chronology, bibliographical essay, tables and index, \$19.95.)

VENEZUELA: THE SEARCH FOR ORDER, THE DREAM OF PROGRESS. By *John V. Lombardi*. (New York: Oxford University Press, 1982. 348 pages,

preface, maps, chronology, bibliographic essay, statistical supplement, tables and index, \$19.95.)

These two volumes are new studies in the distinguished Latin American Histories Series edited by the late Latin American historian James B. Scobie. They will become as indispensable for students of Latin American affairs as the earliest works in the series: Charles C. Cumberland's *Mexico: The Struggle for Modernity* (1968), Scobie's *Argentina: A City and a Nation* (1971) and Rollie E. Poppino's *Brazil: The Land and People* (1973).

In his Bolivian history Professor Klein describes the country's development in the pre-Columbian era, its highly organized society at the time of the Spanish conquest, and the Indian resistance and uprisings during the colonial period. The achievement of independence, chaotic politics, the disastrous War of the Pacific and the impact of silver and tin mining on Bolivian development are some of the subjects covered in the section on the nineteenth century. Bolivia's continuing political instability in the twentieth century, the debilitating Gran Chaco War, and the transformation of Bolivian society, its economy, and politics between 1952 and 1964 while the government was in the hands of the radical populist MNR (Movimiento Nacional Revolucionario) are reviewed. United States hostility to the leftist government and the pressures it exerted to topple the government are outlined. Military government was restored in 1964, but the basic reforms of the MNR revolution have remained intact. As Klein notes: "The vicious cycles of racism and oppression have been broken."

John V. Lombardi believes that Venezuela's current economic and political prosperity can be understood only in the context of the country's past. When the Spanish arrived, Venezuela did not have a highly organized Indian society or any administrative centers. The struggle to settle and administer Venezuela's geographically disparate regions continued into the eighteenth century. From the seventeenth century on, Caracas played a unique role in the development of Venezuela.

The War of Independence, Bolívar's leadership, the Federal Wars, unstable politics and countrywide violence are dealt with in the section on the nineteenth century. The dynamic regime of the caudillo Antonio Guzmán Blanco and the disastrous regime of the eccentric caudillo Cipriano Castro are also described.

Venezuela entered the technological world during the long regime of dictator Juan Vicente Gómez (1908-1935). His brutal, repressive rule brought peace and stability, which allowed the development of a petroleum industry and the emergence of a new elite of technocrats. At the end of the Gómez years, according to Lombardi: "Vene-

zuela's economic base was transformed from agriculture and stock raising to mining and industry. The political system was transformed from Hispanic caudillism to North Atlantic populist democracy, and the social system was transformed from a land-based, family-oriented hierarchy to an income-based technocratic meritocracy."

BOLIVIA: PAST, PRESENT, AND FUTURE OF ITS POLITICS. By Robert J. Alexander. (New York: Praeger Publishers, 1982. 157 pages, introduction, bibliographical note and index, \$21.95.)

NEW MILITARY POLITICS IN LATIN AMERICA. Edited by Robert Wesson. (New York: Praeger Publishers, 1982. 230 pages, preface and index, \$26.95.)

PANAMANIAN POLITICS: FROM GUARDED NATION TO NATIONAL GUARD. By Steve C. Ropp. (New York: Praeger Publishers, 1982. 151 pages, foreword, preface, map, figures, tables, bibliography and index, \$22.95.)

U.S. INFLUENCES IN LATIN AMERICA IN THE 1980s. Edited by Robert Wesson. (New York: Praeger Publishers, 1982. 239 pages, preface and index, \$23.95.)

These volumes are a part of the excellent Politics in Latin America series published by the Hoover Institute and Praeger, under the general editorship of Robert Wesson.

Robert J. Alexander describes the land and people of Bolivia, its history, economy, government, politics and foreign policy. He also comments on the future. Of key importance, he writes, "will be the question of how much long-run damage the cocaine-smuggling government that took power in 1980 has done to the country."

In *New Military Politics in Latin America*, 11 Latin America specialists deal with populism and military coups, the problems faced by military governments, and United States policies toward the military regimes. They examine the military governments in Argentina, Brazil, Chile, Peru and Uruguay, and the position of the military in Colombia and Venezuela.

Steve C. Ropp describes the historical setting of Panamanian politics and the political developments which led to the 1968 coup that brought General Omar Torrijos to power. The process by which the National Guard became a central political institution during the Torrijos years is discussed, and the Panama Canal treaties and Panama's contemporary foreign policy are also reviewed.

In *U.S. Influence in Latin America*, 10 Latin American specialists evaluate the effects of United States policy in Argentina, Brazil, Chile, Colombia, Cuba, El Salvador, Mexico, Nicaragua, Panama, and Venezuela. ■

CENTRAL AMERICAN CAULDRON

(Continued from page 73)

in recent decades. This trend reflects rising levels of literacy and urbanization and the entrance of women into politics. It is also a product of improved transportation, which has placed most of the once isolated rural population within a day's ride of the capital. Finally, public awareness is profoundly influenced by the transistor radio, which has altered much of the rural population's world view and has made it impossible for governments to keep opposition forces from spreading their view throughout the nation.

In Nicaragua, the Sandinistas used the radio during the civil war not only for political propaganda, but also to teach the population how to use a wide variety of arms.¹¹ The Salvadoran guerrillas employ similar tactics. In Honduras and Costa Rica, plans for expanding and boosting the power of Nicaraguan government radio stations have become a matter of growing concern. The Nicaraguans, on the other hand, have had serious problems with clandestine anti-Sandinista broadcasts. In February, 1982, when the Sandinistas began forcibly relocating the Miskitu Indians, clandestine broadcasts, probably originating in Honduras, claimed that the Sandinistas were going to murder all the Indians and urged them to flee across the border. Throughout the region it has become impossible for governments to control the flow of information or prevent the spread of subversive ideas.

While the role of radio in promoting turmoil is relatively new, the tradition of striving to subvert neighboring governments with differing political ideologies began in the nineteenth century. In the 1950's, the United States used Honduran bases to facilitate the overthrow of the left-leaning government of Jacobo Arbenz Guzmán in Guatemala. In the late 1940's and early 1950's, the Somoza family dictatorship in Nicaragua made repeated efforts to topple governments in neighboring Costa Rica. Central American governments have also long harbored exiles from neighboring states and, when political interests warranted, actively supported their efforts to return to power. This tradition helps explain the current struggles between Honduras and Nicaragua and also contributes to Guatemalan fears that an independent Belize might become a base for exile attacks.

Central American governments have never willingly tolerated governments in bordering nations ruled by parties with views strongly opposed to their own and

sympathetic to those held by dissidents in their own countries. Guatemala and Honduras are no more willing today to permit a radical-left government in El Salvador than Somoza was able to accept a government of the democratic left in 1950 in Costa Rica.

FOREIGN INFLUENCE

An additional complicating factor is the growing involvement of outside powers. Most prominent, of course, have been United States influence in El Salvador and Honduras and the growing Cuban and Soviet involvement in Nicaragua. But in recent years several other nations and international organizations have also become increasingly active in the region. Some, like Mexico, Venezuela and the Socialist International, have focused their efforts on economic assistance and efforts to promote negotiated settlements. Others, including Argentina, Israel and even the Palestine Liberation Organization, have become major suppliers of arms and/or training to regional combatants. Arms flows into Central America and foreign military advisers have reached record levels. Guerrilla groups have mounted campaigns for worldwide support. These factors have further complicated regional efforts to resolve regional problems.

Under these circumstances it is hardly surprising that the Chinchonero guerrillas in Honduras made the withdrawal of all foreign advisers one of their demands when they seized the hostages in San Pedro Sula, or that the October, 1982, meeting of Central American and Caribbean Foreign Ministers, held in Costa Rica, called for the withdrawal from Central America of "all foreign military and security advisers and troops" and urged a ban on "the import of heavy weapons of evident offensive capacity."¹²

At this writing, such proposals show no sign of acceptance, and the region's political and economic situation has continued to deteriorate. Yet in the midst of this foreboding panorama there are faint glimmers of hope. There has been a general lowering of the rhetoric level, especially in the case of the United States. The prospects for total victory by either right or left have receded; and the costs of maintaining current levels of conflict have become increasingly unbearable. Thus interest in negotiation has reemerged. While they have been officially rejected by El Salvador's government, the recent overtures by the Salvadoran guerrillas and their political allies, the Democratic Revolutionary Front (FDR) for possible negotiations have stirred considerable internal debate in El Salvador, with even some military officers acknowledging the need for a political solution to the conflict. In the constituent assembly, the Christian Democrats are maneuvering to form a more moderate coalition and take control from the followers of d'Aubuisson.

In Guatemala, while the killing goes on in rural

¹¹Much of this was communicated through songs, usually written by Carlos Majia Godoy. The popular impact was enormous.

¹²FBIS, November 7, 1982, p. P1-4. The final document was signed by representatives of the United States, Colombia, Costa Rica, Honduras, El Salvador, Belize, Jamaica and the Dominican Republic. Panama attended the conference, but did not sign the document.

areas, some political dialogue has begun in urban sectors. Indian representatives have been seated in the Council of State, and moderate political factions are functioning with relative freedom. Thus far, right-wing attempts to overthrow the Rios Montt government have failed, and some of those involved have been arrested or gone into hiding. For the moment, at least, the possibility of a modification of the political system exists.

Even the Honduran-Nicaraguan border seems slightly less tense. The threat of a regional war, while still alive, has receded and efforts at dialogue have resumed. And in Honduras and Costa Rica, moderate, elected civilian governments hold power despite growing pressures.

On the economic scene, the lowering of interest rates offers some slight relief, and commodity prices may at last have hit rock bottom, although no significant recovery is yet in sight. Venezuela and Mexico continue to supply petroleum on concessionary terms to the region, and United States financial assistance, especially that provided through the Caribbean Basin Initiative (while not touching any of the fundamental problems of the area), should help stave off short-term financial collapse.

CONCLUSION

In summary, the Central American political and economic crisis may finally have reached its nadir, although prospects for real recovery are still far distant. The situation was summed up by Costa Rican President Luis Alberto Monge in a May, 1982, speech to the Central American Conference on Commerce and Development. He noted that the economic crisis constituted "a war for the survival of our nations," and added:

The political crisis that afflicts our region has internal roots, of old injustices and lost hopes, which are jumbled together with the intervention of foreign interests. There will be no peace in Central America and the Caribbean while the infernal game of hegemonic interests continues in our region. In the cruel conflicts of our peoples the Central Americans provide the bodies and others gather the advantages.¹³

But President Monge also saw in the crisis an opportunity for Central Americans to reshape their lifestyles, their forms of production and their international economic relationships. Above all, he saw the situation as creating an imperative for united action by Central American governments to resolve their own problems, free of outside domination. The events of 1983 will go far toward determining whether Monge's hopes will have any substance or whether the war for the survival of the Central American nations will be lost. ■

¹³Speech by President Luis Alberto Monge to the Central American Conference on Commerce and Development, Panama, May 14, 1982.

STROESSNER'S PARAGUAY

(Continued from page 68)

panies operating in Paraguay were granted very substantial, long-term tax breaks. Many Paraguayan entrepreneurs complain bitterly that their nation is becoming a virtual colony of Brazil. Adding to anti-Brazilian sentiment is the continuing tide of Brazilian immigrants and speculators who thickly populate most of the northern and eastern border areas. In these regions, the Portuguese language and the Brazilian *cruzeiro* dominate.

Profiting from Argentina's jealous reaction, Stroessner has been able to drive a hard bargain with Buenos Aires on the issue of two major binational power stations on the Alto Paraná, Corpus and Yací-Retá rivers. Argentina needs the energy and Paraguay does not, and the projects were bogged down for years until Argentina sweetened the pot sufficiently for Paraguay. Severe economic problems have forced continual delays in Argentina, but whenever Yací-Retá (2.7 million KW) comes on stream, Paraguay will be the gainer.

Stroessner benefits not only from the rivalry between his neighbors, but also from the fact that both nations (and Bolivia as well) want to maintain him in power. Those military governments cooperate fully with Asunción on matters of intelligence and defense, for they vastly prefer the General to a chaotic or left-wing leader who might well attract their own dissidents and provide a springboard for subversion. Stroessner provides Brasília, Buenos Aires and La Paz with an ideologically compatible frontier.

THE ECONOMY

Economically, Paraguay had made considerable progress under Stroessner, although a disproportionate share of the fruits of prosperity has poured into the pockets of the influential, many of whom are foreign. Nonetheless, the business community, which has lauded and profited from the stability of the Stroessner regime, is beginning to have reservations. There is worry about massive Brazilian influence and economic dominance, and now that the Itaipú boom years are all but over, the economy is showing serious signs of strain. For the first time, Paraguay is running serious trade deficits and its national debt is increasing dramatically. The guaraní (G, the monetary unit), stable for 20 years, is tumbling rapidly, and while the government attempts to maintain it by enforcing the official exchange rate of 126 to the dollar in most trade intercourse, it takes at least G200 to purchase a dollar on the streets.

With its currency artificially maintained, Paraguay's trade is seriously and negatively affected. Smuggling, long a major economic activity, has reached a dramatic level. It is estimated that legal, registered trade exports to Brazil in 1981 amounted to \$296 million, while the volume of smuggling was at least \$457 million. On this

"invisible commerce" alone, the government was cheated out of at least \$70 million in export taxes. This has forced the government to begin to crack down on smuggling, an activity it had once winked at and even fostered, and the crackdown is angering many an "exporter." And while businessmen are feeling the pinch and the smugglers are worrying, increased government taxation has the entire middle class screaming, and falling prices for cotton are directly threatening the economic existence of 100,000 peasant families.

President Stroessner, who was born at tiny Encarnación on the Argentine border, son of a German immigrant brewer and a Paraguayan mother, will again run for the presidency in February, 1983. He will run against the Radical Liberal party's Enzo Doldán, and he will win perhaps 72 percent of the vote. Most probably, he will weather the economic storm and some related unrest, because according to the constitution of 1967—basically his own handiwork—he has immense powers. He will use these powers when he must, and despite the 79-article bill of rights, he will no doubt continue the state of siege, which effectively annuls all rights. For "system redundancy" he can rely on the 1955 "Law for the Defense of Democracy," which permits the executive to dispense with normal constitutional guarantees in the face of a threat of subversion. Yet Stroessner, the "Manager," a tireless worker and a shrewd politician, would prefer the velvet glove. Never an ideologue, the General actually seeks—insofar that it is possible in fractious Paraguay—national consensus and unity. More than any Paraguayan leader since Carlos Antonio López (1842-1862), he has achieved this. Commander in Chief, head of the Colorado party, patron of the Church and President, Stroessner would prefer to use his vast power of patronage and other mechanics of peaceful persuasion. He will, however, respond to perceived threat harshly: arrests, deportation, exile, Chaco work camps and disappearance for serious dissidents, and the bullet for guerrillas. ■

COLOMBIA: OLD PROBLEMS, NEW OPPORTUNITIES

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seized thousands of people with leftist sympathies for questioning following the arms robbery, and incidents of torture, mysterious deaths and disappearances increased. The military recovered most of the stolen arms and broke up a large number of urban guerrilla cells. In February, 1980, the M-19 took over the Embassy of the Dominican Republic with 14 ambassadors (including the United States Ambassador) as hostages. The peaceful resolution of that crisis—the release of the hostages in return for safe-conduct out of the

country for the guerrillas, an undisclosed sum of money raised by private channels and the promise to permit human rights groups greater access to military trials—revealed the weakness of the guerrilla threat and the ability of Colombian leaders to deal with serious crises.

The guerrillas never gained broad public support. Significantly, though, the deteriorating human rights situation was condemned by prominent members of both traditional parties in association with members of other parties and movements. Their voices were reinforced by a critical report presented to the government by Amnesty International. Of growing concern were abuses in remote areas of the country, in areas of long-standing FARC guerrilla activity as well as in Caquetá and nearby areas, where the M-19 was active. A new paramilitary organization, Death to Kidnappers (MAS—*Muerte a Secuestradores*), also began to kill political prisoners in their jail cells.

The government responded to political pressure by enacting a largely unsuccessful limited amnesty in March, 1981. By late 1981, with most of its leadership dead or in jail, it was clear that the M-19 was no longer a military threat. Turbay appointed an ad-hoc "peace commission" with Carlos Lleras as its head to seek a successful amnesty agreement with the guerrillas. The work of the peace commission met opposition from the military and from Conservatives and became embroiled in electoral politics. Turbay was worried that the commission's success might hurt López's campaign, since the candidate was arguing that with a firm mandate he would bring "peace" to the country. Frustrated, the commission members resigned two weeks before the presidential elections. A week after Belisario's surprise victory, Turbay announced the lifting of the state of siege, thus automatically repealing the statute on security. By that move, Turbay preempted the new President and complicated the process of negotiating a new amnesty, which would have to go through Congress instead of being enacted by executive decree.

From his first days in office, President Betancur has sought an atmosphere of national reconciliation. He has repeatedly invited Gabriel García Márquez, winner of the 1982 Nobel Prize in Literature, to return to the country.⁴ The famous left-wing author had fled the country in March, 1981, fearing that his connections with Cuba could lead to his arrest. The President promised to investigate MAS and other right-wing organizations and to prevent human rights abuses. And in spite of initial opposition from some Conservative leaders, he has proceeded vigorously to formulate unconditional political amnesty. High government officials have met openly with guerrilla leaders; the major factions in both parties support the measures. However, the military worries that the amnesty does not provide for disarming the guerrillas and that some

⁴Gabriel García Márquez apparently intends to return to Colombia in March, 1983, to found a newspaper with his Nobel Prize money.

political leaders are asking the army to withdraw from areas of guerrilla strength. Furthermore, guerrilla statements have been ambiguous. Thus, in early November, 1982, the success of the government's amnesty offer was far from certain, although progress was unquestionable.

FOREIGN POLICY

In its first few months, the administration has adopted a relatively more nationalist and independent foreign policy. Under Turbay, Colombia and the United States maintained extremely close relations. Even as the administration of United States President Ronald Reagan tried to isolate Cuba within the hemisphere, Colombia suspended relations with the island republic in 1981, accusing it of supporting Colombia's guerrillas. Originally supportive of the Sandinista revolution in Nicaragua, Colombia grew increasingly critical. The Nicaraguans intensified this animosity by re-opening territorial claims to the islands of San Andrés and Providencia and the surrounding cays. The Colombian position with regard to Nicaragua was strengthened when the Reagan administration urged the United States Senate to ratify the 1972 treaty between the two countries ceding sovereignty over the disputed cays to Colombia. Reportedly, Colombia was requested, in turn, to send 800 troops to the Sinai as part of an international peacekeeping force. Colombia has also supported United States policy in El Salvador; for example, it sent an official observer to the elections.

Colombia was not initially invited to join the United States, Canada, Venezuela and Mexico (the Nassau Group) to deal with economic and political problems in Central America and the Caribbean. But an invitation was later extended, as Colombia decided to maintain a visible if still modest presence in the region. In part this reflected the growing economic and political importance of Colombia's Caribbean coast, in part a political concern because of the territorial dispute with Nicaragua and festering border issues with Venezuela, and in part a search for potential new markets. Betancur has pledged to continue the Turbay policy, and Colombia appears to be proceeding with its \$50-million aid program to the region.

Betancur said little about foreign policy during his campaign, with the exception of some criticism of Turbay's stance on the Falklands (Malvinas) crisis. Colombia had refused to join its Hispanic neighbors in support of Argentina, a position based on international law that helped isolate the country on the continent, even as it approximated the United States view. Instead, Betancur has emphasized the country's solidarity with Argentina.

In a surprising move, the President announced that Colombia would join the Non-Aligned Movement, a step criticized by right-wing Conservatives and members of the Turbay government. At the same time,

Betancur has announced that there is little possibility of the imminent reestablishment of relations with Cuba, and Colombia participated in the eight nation October meeting in Costa Rica in support of United States policies in the region. Yet the administration is willing to consider alternative peace initiatives in Central America and asserts that tensions with Cuba have eased.

CONCLUSION

Two years ago Colombia appeared to be coming apart at the seams; in the phrase of Carlos Lleras, *un país desencuadrado*. Criminal and political violence, government repression, a booming underground economy and the same tired faces at the head of government suggested that the country had lost its ability to muddle through crises and was veering toward anarchy, military government, or both. But again the country muddled through, and the 1982 elections demonstrated unsuspected political maturity.

Nonetheless, the underlying structures and the old problems remain. Given the constitutional requirement for shared rule and Betancur's campaign pledges, the Conservatives and Liberals are equally represented in the Cabinet. Now it is the Liberals who are collaborating in government and simultaneously forming the political opposition. The Liberals continue to control Congress, and the old divisions in the Conservative party are reemerging. The President has demonstrated surprising independence, but Colombia's economic problems will make it difficult if not impossible for him to fulfill campaign promises. The project of political amnesty may fail or may have only partial success, and criminal violence may intensify.

However, Belisario's election offers new opportunities. His movement has appealed to some of the politically alienated who transcend traditional party divisions, although it will be difficult to translate this into a long-lasting realignment. To be successful, the National Movement would have to spearhead the conservatization of the country's urban centers; its electoral practices would have to represent a permanent diminution in the importance of public resources and clientelism for both congressional and presidential elections; and it would have to transform itself from a personalist vehicle into a more permanent political organization. It is not clear that the defeated Liberal party can appeal to those who become disenchanted with Belisario. Further, in addition to strengthening channels to the politically disaffected, a stronger regime will need mechanisms to incorporate the economically excluded. These mechanisms have not yet appeared.

In 1982, Colombia avoided collapse, but the need for firm institutionalization remained. The prospects are that turmoil, crises and "muddling through" will continue. ■

THE AFTERMATH OF DEFEAT IN ARGENTINA

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The magnitude of this emigration can be judged when the 800,000 emigrants are compared to the total size of the Argentine labor force, which is only about 7 million.

The migration out of the country represents a historical reversal of major proportions. In the late nineteenth and early twentieth centuries, Argentina was one of the most attractive nations in the world, drawing in large numbers of Europeans; but in the 1980's it has become a country from which workers flee, seeking better opportunities abroad.

Another measure of the devastation of the Argentine economy is the foreign debt which, including interest due by the end of 1982, stood at \$39 billion after the war—\$25 billion in public borrowing and \$14 billion in private borrowing. In per capita terms, the foreign debt was one of the highest that any nation has ever assumed—higher than the per capita debt of Mexico or Brazil. Argentines owed \$2.5 billion in interest that fell due in the second half of 1982, in addition to \$1.6 billion in interest charges that they had not yet paid from the first half of that year. Without the massive borrowing, these funds might have been used for productive investment rather than interest payments.

The Malvinas conflict added several billion dollars to this foreign debt, but the weakness of the Argentine economy resulted fundamentally from economic choices made before the war. As Ferrer accurately summed up the situation, 95 percent of the debt was caused by earlier economic policies and only 5 percent was caused by the war. As one who had tried to implement a very different developmental approach, he condemned

the senselessness of a system that dismantled national industry to return Argentina to the status of a producer of raw materials and foodstuffs for the traditional power centers.¹²

In a more dispassionate and detailed analysis of the failures of the Argentine economy between 1976 and 1982, Thomas Sanders demonstrates that Argentina's problems arose from an absence of public confidence

¹²From the interview with Ferrer in the Buenos Aires *Herald*, May 19, 1982, p. 9.

¹³Thomas Sanders, draft of a forthcoming report in the series of the American Universities Field Staff, tentatively entitled "Argentina Before and After the War."

¹⁴For analysis of the different sides of the Peronist movement and the influence of General Juan Perón, see Frederick C. Turner and José Enrique Miguens, eds., *Juan Perón and the Reshaping of Argentina* (Pittsburgh: University of Pittsburgh Press, 1983).

¹⁵On the alliances of this period and the process by which the military left office, see Wayne S. Smith, "The Return of Peronism," in Turner and Miguens, *op. cit.*

in stability, which led both firms and individuals into financial speculation rather than productive investment, and from measures designed to combat inflation, especially from an excessive overvaluation of the peso, which made foreign products extremely cheap, driving Argentine firms into bankruptcy and increasing unemployment dramatically.¹³

In trying to reverse these trends, government policies in the last half of 1982 encountered the obstacles that the policies had been designed to overcome. Devaluation brought the peso to a more realistic level, although the black market rate remained far higher than the official rate of exchange. Inflation jumped when the policy of the overvalued peso, which had been originated to contain it, was abandoned. While the government worked to restrict imports and to re-stimulate domestic production and employment, it also relied, in the traditional Argentine manner, on export taxation to raise revenues, thus limiting the chances for profit and productive reinvestment by Argentine exporters.

GOVERNMENT WEAKNESS

In order to create effective economic policies and apply them consistently, the government needed to be strong, but the context of Argentine politics after the war made this impossible. On July 1, 1982, eight years to the day after the death of General Juan Domingo Perón, the most important figure in Argentine politics in the twentieth century,¹⁴ Major General Reynaldo Benito Antonio Bignone assumed the presidency. A retired army officer, he had a record of working effectively with civilians and seemed a likely candidate to move the country toward civilian rule.

Pressure on the military had forced it to make such a choice. Just as political parties had formed alliances to force the military to allow free elections in 1973,¹⁵ which led to the return from exile of General Perón, so in 1981 and 1982 five major parties created the *Multipartidaria* to press for elections once again. The parties are the Peronists, the Radicals, the Christian Democrats, the Developmentalists of Arturo Frondizi, and the Intransigents of Oscar Alende. Although they all want the military to give up control of the government, the parties themselves cannot agree on which policies would in fact restore high employment, economic growth, and political stability in the long run.

The Bignone administration also confronts serious divisions within the military. When the army forced the other services to accept Bignone as President, the air force and the navy withdrew from the ruling junta, although three months later their representatives rejoined it. Some of the most divisive issues are whether or not investigations should be allowed into the actions of those in the military responsible for the war, for corruption during the last six years of military rule, and for the "dirty war" against subversives after 1976

in which between 6,000 and 24,000 persons "disappeared" at the hands of officially supported death squads.

Understandably, the individuals responsible for these operations—and those tied to them by bonds of friendship, deference or obligation—want to prevent such inquiries, and refuse to turn power over to civilians without guarantees that there will be no investigations. President Bignone has said publicly that there will be no amnesty for Argentine exiles, that former subversives like Mario Firmenich will be jailed if they return to Argentina and that, before turning over the government to elected civilians, the military must put an end to possible recriminations arising from the "dirty war." In this stance, Bignone has strong support from General Cristino Nicolaides, the powerful commander of the army whose backing is crucial to keeping Bignone in office. Others, however, including some younger officers, want to make decisive issues and events public. This disagreement over investigations and public disclosures has forced Argentines to continue to relive the past.

In addition to stirring dissension in the armed forces, the war has also had an unexpected impact on another central institution of the country, the Catholic Church. The war occasioned the first papal visit to Argentina, on June 11 and 12, 1982. Shortly after traveling to England, a trip scheduled long before hostilities began, John Paul II flew to Buenos Aires, where he was met by huge and enthusiastic crowds. Many Argentines wanted to interpret the visit as a sign of support for their Catholic nation during the war, but the Pope remained scrupulously nonpartisan, criticizing war in general and speaking out in favor of negotiated settlements. The visit had little lasting effect, although press headlines hailed it as the most significant religious event in Argentine history.

Since the papal visit, the Catholic Church has taken an essentially centrist position, publishing in August a document called "The Path to Reconciliation." In it, Argentine bishops implicitly reject Peronism as well as Marxism, as they denounce "demagoguery," "populism," and the "totalitarianism of the proletariat." More positively, they call for an end to the state of siege, for a government commitment to return to civilian government and free elections, and for investigation of the circumstances under which subversives "disappeared" after 1976.¹⁶ The bishops have thereby endorsed alternatives that currently enjoy great popularity in the population at large, including a stand on the *desaparecidos* (the "disappeared") that remains highly controversial within the military.

¹⁶Report in the Buenos Aires *Herald*, August 17, 1982, p. 11, reprinted in FBIS, *Daily Report: Latin America*, vol. 6, no. 160 (August 18, 1982), p. 5.

¹⁷"La tristeza del fútbol," *Somos*, Año 6, no. 310 (27 de agosto, 1982), p. 58.

After the war there also came an event over which there was no controversy: deep disappointment when the Argentine national soccer team lost, in World Cup play, to Brazil, the archrival of the Argentines in soccer as well as in South American politics. The Argentines, like the Italians, Spaniards and English from which so many descend, take World Cup soccer very seriously. In 1978, Argentina won the World Cup, playing at home in Buenos Aires, the final game in the stadium of River Plate, with the fine professional team nicknamed *los millonarios* ("the millionaires"). In 1982, however (although Brazil later lost to Italy, the winner of the World Cup), the Brazilians defeated Argentina on July 3, thus preventing Argentina from repeating the victory of four years earlier. The 1978 triumph over all nations had lifted the pride and spirits of most Argentines during the era of the "dirty war" and the *desaparecidos*, but there was no such uplifting in 1982. As one commentator dejectedly described the situation, the "solidarity" and "euphoria" of the 1978 victory were now replaced, once again, by the sadness, the normality of defeat.¹⁷

The acute sense of loss that Argentines experienced on the fields of World Cup competition mirrored feelings of loss and abandonment in foreign relations as well. The 1982 "betrayal" by the United States led to what some television newsmen in Argentina called an anti-American "phobia," especially among those who had counted on United States neutrality. Although some Argentines knew that Great Britain was their enemy, they felt far more anger and bitterness toward the United States. Latin Americans continue to prize loyalty much more deeply than do North Americans. Argentines, profoundly loyal to their families and to their friends, stand back from the excessive individualism of the United States, from the "me generation" and the era of "throwaway relationships." In view of this stance and the fact that the United States provided aid for the enemy when war finally came to Argentina, the memory of the United States position will interfere with stronger ties between the two nations for a long time.

Like the United States, France supplied the Argentines with important military equipment before the war, but the French also withdrew support when the shooting started. French technicians helped the Argentines to ready the Super Etendard fighter-bombers for war, and these bombers, with their French-supplied Exocet missiles, proved to be the most effective Argentine weapon, sinking a British destroyer and a container ship. After the war, France was the first European nation to end the arms embargo on Argentina, as it hurried to sell Argentina more Super Etendards and Exocets. On the other hand, the French sent Mirage and Super Etendard fighter-bombers to Britain to let British pilots practice against the aircraft that they would face in the South Atlantic. Ironically, the

French made handsome profits selling sophisticated equipment to Argentina, while maintaining their ties to Britain by showing the British how to destroy that equipment.

Despite such opportunism, the war realigned Argentine foreign policy only to a very limited degree. Argentine leaders repeatedly said that United States support for Britain might force them to turn for aid to the Soviet Union or Cuba, but no such realignment took place. Despite its selling of grain to the Soviet Union, Argentina remained a firmly Western nation, and after the end of hostilities the United States came to support Argentina in its call for negotiations in the United Nations on the status of the islands. Argentina received considerable support from Peru and Bolivia, so that the war solidified its relations with these countries. More broadly, the struggle made many Argentines acutely aware of the need for hemispheric solidarity, sharpening this traditional thrust of Argentine foreign policy. Fighting against a major European power, facing economic sanctions by the European Economic Community, opposed by one superpower and only mildly supported by the other, Argentines appreciated afresh what it means to be a third world nation.

LOOKING TOWARD THE FUTURE

A central issue for the 1980's will continue to be: How much difference has the war really made? Some feel that it can usher in a completely new phase in Argentine history. For example, Félix Luna, a distinguished and highly popular historian of Argentina since the 1930's, declared during the war that

I think when all this is over Argentina will enter into an entirely new stage. . . . We have to search for and find the people who should really govern the country.¹⁸

More pessimistically, however, if Argentines do not find such people, or if they cannot agree on such people, the politics of dissension may continue, with erratic shifts in economic policies and the alternation of civilian governments and military coups. Argentines know that they need more consensus, stability and trust in their leaders, yet they realize that these objectives will prove difficult. ■

¹⁸Quoted in Luis Varela and Néstor Restivo, "Things Will Be Different," *Buenos Aires Herald*, May 28, 1982, p. 8, as reprinted in FBIS, *Latin America Report*, no. 2520 (June 10, 1982), p. 8.

U.S. POLICY IN LATIN AMERICA

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Brazil, and Argentina are clearly another matter: their combined international debt surpasses 10 percent of all funds available in the Eurodollar market. In addition, United States banks and their subsidiaries probably hold a major share of this debt. Since not all

United States banks participate equally as creditors, it is likely that default by any or all of these countries will have major consequences for those financial institutions that are most heavily committed.

The potential fallout for the United States banking system, for the government and even for its political system is not easy to forecast, but reasonable guesses are not reassuring. It should be emphasized that these Latin American countries, and others like Venezuela, whose international debt has been growing rapidly, were able to borrow those funds in part because of their position as actors in international politics.

The Falklands (Malvinas) confrontation became the catalyst of a process that has been evolving for some time. Strains are developing in the international financial web; the major world powers are increasingly unable to influence major Latin American countries through the threat of economic sanctions. After the United States took sides in the Falklands conflict, the possibility of not paying the international debt was openly discussed in Argentina and elsewhere in Latin America. Some of the "what if" scenarios left the impression that major Latin American countries were far from powerless and did not lack options, although public discussions often ended with admonitions to pay "to maintain the nation's reputation and creditworthiness." In this sense, the Falklands war may have served formally to open a Pandora's box that was about to be opened anyway. It also showed that the supranational ties of those managing the foreign and economic policies of the Latin American countries were not strong enough to prevent confrontations of this type.

During the first half of its current term, the energies of the Reagan administration in the Latin American arena were clearly misdirected. Instead of centering its attention on a domestic struggle for power in El Salvador and countering the bungling policies of a reformist regime in Nicaragua, it would have been much more rewarding in terms of American national interest if the Reagan administration committed energy and resources to its relations with the regional actors in international politics. The Falklands (Malvinas) fighting and its aftermath should have made long-lasting American interests in that area clear to everyone. However, ideological constraints may continue to contribute to the misdirection of political energy in our Latin American policy. The internal and international stakes are high, and the cost of major failures is likely to be prohibitive. ■

BRAZIL'S NEW DEMOCRACY

(Continued from page 57)

political power of the army's hardliners. In late 1977, for instance, Frota was fired as Army Minister by Geisel for opposing the President's attempt to liberalize

domestic politics.⁹ The 71-year-old Frota's chances of becoming a candidate are minimal; but he still wields power behind the scenes. The hardliners' publicly identified favorite is three-star General Coelho Netto. However, Figueiredo passed him over three times for promotion to fourth-star rank, thereby forcing him to retire. For the time being, the hardliners' dream of returning to power remains just a dream.¹⁰

THE FALKLANDS (MALVINAS) WAR

From the outset of the hostilities in the South Atlantic, the Figueiredo government maintained a two-tier policy toward the conflict. It supported and still supports the Argentine claim to the islands, but it rejects a violent solution, calling instead for a peaceful resolution "without winners or losers."¹¹ During the war, Brazil sold arms and airplanes to Argentina and refused landing privileges to Britain's bombers on their way to the islands, but the government also released a Vulcan that had been intercepted by the Brazilian air force and forced to land in Rio. As the war dragged on into the month of June, it began to lose front-page headlines to the glories of the Brazilian soccer team at the World Cup games in Spain.

The shock waves from the Falklands (Malvinas) jolt to United States-Latin American relations continue to reverberate throughout the hemisphere, and only time will tell the extent of the damage. To date, Latin American pique has resulted in largely symbolic gestures, like the recent election of Nicaragua to a United Nations Security Council seat, the spokesmanship of the Latin American group in the World Bank, and talk of establishing an Organization of American States (OAS) "for Latins only" (excluding the United States and the English-speaking Caribbean republics).¹² Luckily for the United States, Brazil has consistently refused to go along with this latter project, plans for which are promoted by Ecuador, Colombia and Venezuela, all currently involved in border disputes.

At present, United States-Brazilian relations revolve around the far more tempestuous and substantive question of trade. In the eye of this storm is an export subsidy program known as BIFIEX (Fiscal Benefits to Special Export Programs), established by the Brazilian government in 1972 to encourage long-term indus-

trialization and export programs for national and foreign companies operating in Brazil. Investment and export schemes approved by BIFIEX are entitled to up to 10 years of tax exemptions or reductions. Companies can carry over unused tax credit to future years and are permitted to apply it to another product, as long as it remains within the same grantee firm. In 1978, 30 corporations received a total grant of \$7.5 billion (General Motors and Ford being the two largest recipients) and, by 1982, BIFIEX coverage had reached \$75 billion, some of which will run until 1989.¹³ In 1980, Brazil replaced the United States as the second largest supplier of chickens to the Middle East, and Embraer, an estatal, sold over 80 airplanes in the United States market, or about one-half the entire production of the Bandeirante airplane. In retaliation, United States authorities blacklisted Brazilian orange juice, steel, shoes, and some 500 other items suspected of being subsidized.

American businessmen and government officials charge that Brazil is engaged in equally unfair trade practices, all in the name of an "underdeveloped economy," which can conveniently resort to protectionist measures under certain GATT (General Agreement on Tariffs and Trade) rules. Brazilian exporters can arrange government-subsidized loans for their foreign buyers to facilitate marketing their products. For its part, Brazil has severely criticized the United States for attempting to impose loan restrictions and higher interest rates on all Inter-American Development Bank transactions for Group A countries (Argentina, Brazil, Mexico and Venezuela, all recently industrialized economies) while granting low or practically no-interest loans to nations like Haiti, Bolivia and Ecuador, known as Group D.¹⁴ The United States action in the matter was seen as a move to keep Brazil from access to much needed international capital, thus hampering its economic recovery and development programs.

Both Brazil and the United States have resorted to extremes to make their cases known; each has presented nationalistic views too often. The differences in approach between the state-nurtured technocrats of Brazil and the supply-side economists of the Reagan government are too divergent to be easily reconciled. The current differences between the two countries will probably peak during the second half of the Reagan administration, before bilateral relations can improve. The United States, its defense posture notwithstanding, must look to the future: it must find out how to keep the American economy going, where to secure raw materials, and how to expand its exports. It must face the hard fact that it is a minority of one in the world community as the practitioner of private capitalism. The West European countries have always been able to invoke the specter of the Soviet Union to placate cold-war-minded United States administrators complaining about subsidized economies.

⁹On the dismissal of Frota by Geisel, see Hugo Abreu, *O outro lado do poder*, 5th ed. (Rio, 1979), pp. 127-151.

¹⁰*Senhor*, September 1, 1982; *Istoé*, August 18 and October 27, 1982; *Veja*, August 25, 1982; *A Tarde* (Bahia), November 24, 1982.

¹¹*Jornal do Brasil*, May 25 and 26, 1982.

¹²*Diário de Pernambuco*, May 16 and August 23, 1982; *Folha de S. Paulo*, August 23, 1982.

¹³Annibal V. Villela and Werner Baer, *O setor privado nacional: problemas e política para seu fortalecimento* (Rio, 1980), pp. 159-161; *Senhor*, September 22, 1982.

¹⁴*Jornal do Brasil*, October 20, 1982.

Latin America, on the other hand, lacks similar strategic importance and thus has never been considered a major player in the East-West chess game. Brazil's gross national product is on par with Canada's; its economy is better managed than Italy's; Communist participation in Brazil's government—unlike France's—is nil; and Brazil is now the fourth largest democracy in the world, after the United States, Japan and India. Yet in the minds of American Presidents and Secretaries of State, Brazil is not a major power.

One very bright spot in United States-Brazilian relations is Ambassador Anthony Motley, a naturalized American born in Rio, who enjoys a wide circle of friends in and out of the government. A successful entrepreneur in the United States, Motley combines a refreshingly relaxed and accessible style with an astute, business-like approach to his job. His insistence on speaking fluent Portuguese at all public functions has earned him special respect, and he has made considerable progress in manning the United States Embassy with competent Portuguese- and Spanish-speaking foreign service officers, some of whom are ex-academics or *Brazilianistas*, as the United States specialists on Brazil are known. Motley has distinguished himself again by bringing Ronald Reagan to Brazil shortly after the elections, which should strengthen his hand even further in effecting a diplomatic and commercial rapprochement with Brazilian businessmen and government officials.

The first two years of democratic life in Brazil are apt to be colicky, both politically and economically. Even so, the Reagan administration should recognize and welcome the long-term benefits that can accrue from the presence of a democratic Brazil in world councils, as a model for third world countries and as a formidable non-Communist power. If the United States would like to contribute to a healthier environment for this young democracy, it should search for those mutually acceptable trade terms that are least likely to inflict further damage on an already ailing economy. Strengthening Brazil's economy and therefore its political stability will improve the outlook for the future of the Western Hemisphere as a whole.

LATIN AMERICA AND ANTARCTICA

(Continued from page 53)

South Pole. Although these provisions do not specifically uphold Chilean or Argentine territorial claims

⁵The seven territorial claimants are Argentina, Australia, Chile, France, New Zealand, Norway, and the United Kingdom. Non-claimant nations that attend consultative meetings provided by the Antarctic Treaty are Belgium, the Federal Republic of Germany, Japan, Poland, South Africa, the Soviet Union and the United States. These nations do not claim or recognize the claims of others to Antarctic territory, but the United States and the Soviet Union reserve the right to assert their own claims.

and say nothing about sovereignty, they have been cited by both nations in support of their interests.

In the same year, Chile and Argentina rejected a British proposal that all three countries ask the International Court of Justice at the Hague to adjudicate their claims. In 1948, Chile and Argentina chose instead to issue a joint declaration in which they agreed to cooperate in defending their respective rights between the 25th and 80th west meridians. Neither country, however, has ever acted on this declaration.

Brazil is the most recent South American nation to assert an interest in Antarctica. Brazilian foreign policy theorists like Terezinha de Castro do not accept Chilean and Argentine claims, but give currency to the idea of a general "American or Latin American" sector between 0° and 120° east latitude. A Brazilian government map published in 1960, but not cited since then in any official declarations or publications, shows this same sector divided into Ecuadorean, Peruvian, Uruguayan, and Chilean and Argentine areas. Aside from this curious example, Brazil has studiously ignored national claims in Antarctica. For its own part, it has expressed growing interest in the potential mineral and natural resources of the Antarctic region and is now preparing for its first expedition.

By the 1950's, Antarctica was a divided continent, at least on paper, among seven claimants, including Chile and Argentina.⁵ Aside from declarations issued in national capitals and scientific expeditions, no country had taken any other steps to assert its alleged rights. A United States proposal for an Antarctic Treaty would change the situation radically.

Beginning with preliminary talks in 1948, the United States successfully promoted the internationalization of the Antarctic. The multilateral treaty signed in 1959 suspended but did not annul national territorial claims in favor of free scientific access by all interested nations to the continent and its immediate coastal seas. The treaty declares that below 60° south latitude all lands and waters are a demilitarized international zone and includes a specific ban on nuclear explosions. Scientific research is being promoted by a committee of participating countries. After 30 years, any signatory may call for a review, but the treaty itself is of indefinite duration.

A temporary solution to conflicting territorial claims, the Antarctic Treaty has also provided temporary protection for the world's largest reserve of fresh water and has kept the environment free of pollution for purposes of research. Moreover, the treaty has value as a symbol of international cooperation and a model for present and future agreements pertaining to space and lunar exploration. As 1991 approaches, however, parties to the Antarctic Treaty have begun privately to reexamine its provisions. Various weaknesses raise questions about the future viability of this unique arrangement.

The fundamental problem, according to several critics,⁶ is that the treaty does not provide a system or instruments to resolve conflicts of interest between consultative parties or even to protect their interests from the outside world. All recommendations made in biannual meetings must be adopted by unanimous consent before they become effective. There is no governing secretariat or enforcement mechanism. Moreover, funding for research programs and scientific cooperation—the treaty's principal aim—is uncertain. Finally, there is no agreement or even common understanding that regulates or restricts any nation's activities in the Antarctic, except military and nuclear activities, which are expressly prohibited. As one writer succinctly states, "there is no final word on sovereignty, jurisdiction, or mineral resources."⁷

Continuing public statements and a variety of actions aimed at establishing a history of continuous occupation and assertion of jurisdiction leave little doubt that in 1991 Argentina plans to challenge the Antarctic Treaty's suspension of sovereign claims. Within the past few years, Argentina has held a Cabinet meeting in its continental sector and has provided quarters for women and children at one of its bases. Buenos Aires continues to appoint a governor for the area that it refers to as its Antarctic territory on all national maps, and since 1968 it has officially promoted tourist visits to the Argentine sector. Argentines who die in Antarctica are frequently buried there. The Argentine military has an Antarctic airbase, which it has used as a stopping point in transpolar air service provided by its national airline, Aerolinas Argentinas. Before the Falklands war, there were regular polar flights between Argentina and New Zealand.

Chile has limited its activities to krill fishing but, in concert with the Argentine diplomatic position, it has linked Antarctic claims to settlement of the boundary between the two countries in the Beagle Channel below Tierra del Fuego and to the delimitation of the 200-mile resource zone that both countries claim in the surrounding seas. Brazil thus far has ignored Chilean and Argentine territorial claims, asserting an unfettered right to exploration and scientific research. None of these countries has yet expressed an interest in the possibility that the continent of Antarctica may have vast deposits of iron ore, coal, oil, natural gas and other minerals.

In the final analysis, Chile, Argentina, and Brazil's greatest interest in Antarctica may be stimulated by the strategic influence that they believe would provide control of the maritime zones at the tip of South America. According to press reports, Brazil and Ar-

gentina have discussed the growing strategic problem posed by the African-based Soviet naval presence in the South Atlantic. All three countries are most certainly aware of the importance of the southern passage as the only route for large warships and submarines. The Falklands war is a reminder that major powers can project their influence over vast areas with minimal reliance on land bases. The more usable sub-Antarctic and South Atlantic islands are potential bases for outside powers, or for Chilean and Argentine points of influence against such powers.

A major review of the Antarctic Treaty in 1991 seems predictable, if not certain, and it will not be an easy task. Long-standing border disputes and territorial conflicts in South America are still very much in the forefront of regional problems; they may well rank as the greatest obstacle to more effective integration and cooperation in a variety of areas and organizations, including the Organization of American States. More to the point, Argentina's disputes with Chile over the Beagle Channel and with Great Britain over the Falkland Islands have kindled a kind of irredentism that no government in Buenos Aires—military or civilian—can ignore or deny. This has direct relevance for the future disposition of South American claims in Antarctica.

Another serious complicating factor in a review of the Antarctic Treaty is the play of interests of many nations outside South America, not just the current consultative members. The global search for scarce and marketable resources, wherever they exist, is stimulating new and growing international interest in Antarctic exploration. For technical and environmental reasons, effective mining operations under the polar ice cap may still be only a future possibility in 1991, but the lack of any provision to regulate such activity in the present accord will not be passed over lightly.

Some kind of international agreement will probably emerge from a review process, given the international interest and need to protect and preserve the region, but there is an obvious potential for nations like Argentina and Chile to play a "spoiler's" role. Uncompromising positions on sovereign rights in the negotiations could be supplemented by actions to buttress their territorial claims, like the establishment of more military bases in their respective sectors. This danger will become more real if highly nationalistic governments are in power in either Chile or Argentina or if there is a precipitous decline in respect or trust in international organizations and processes.

Whatever the outcome, those who favor the internationalization of Antarctica will have to contend with the increasingly assertive claims of emerging South American nations. The task of diplomacy will be to accommodate this new Latin American role, while preserving the world's largest scientific laboratory and treasure of minerals and sea life. ■

⁶See Jorge Alberto Fraga, "El futuro incierto politico-economico de la Antartida," *La Nacion*, July 4, 1976; see also F. M. Auburn, "United States Antarctic Policy," *Journal of the Society of Marine Technology*, vol. 12, no. 1, p. 31-36.

⁷Auburn, *ibid.*, p. 31.

THE MONTH IN REVIEW

A Current History chronology covering the most important events of December, 1982, to provide a day-by-day summary of world affairs.

INTERNATIONAL

European Economic Community (EEC)

Dec. 10—At the end of a high-level conference between representatives of the U.S. and the Common Market, the controversial EEC subsidization of agricultural products is discussed. A follow-up meeting is planned for early 1983 to try to prevent a trade war between the U.S. and the EEC.

International Monetary Fund (IMF)

(See also *Brazil; Mexico*)

Dec. 3—The U.S., Britain, France, West Germany and Japan tentatively agree to increase by 50 percent the quotas they pay into the IMF. The increase will expand the lending capacities of the fund by \$30 billion.

Iran-Iraq War

(See *Intl, Middle East*)

Madrid Conference on Security and Cooperation in Europe

Dec. 17—The conference adjourns until February 8, 1983.

Middle East

Dec. 9—The Iraqi Foreign Ministry reports that Iran is holding 50,000 Iraqi prisoners of war.

Dec. 19—The Lebanese government says it is ready to negotiate with Israel.

Dec. 26—The Iraqi military command announces that Iraq has mounted 74 bombing missions in southern Iran.

Dec. 28—Israeli and Lebanese negotiators meet at Khalde, Lebanon, to discuss the withdrawal of Israeli troops from Lebanon. The U.S. is participating in the negotiations.

North Atlantic Treaty Organization (NATO)

Dec. 2—Following a 3-day meeting, NATO issues a communiqué supporting U.S. actions outside Europe and the North Atlantic area "to deter threats to the vital interests of the West."

Organization of Petroleum Exporting Countries (OPEC)

Dec. 20—The OPEC conference on production and price ceilings ends; the official limit on production is raised from 17.5 million barrels a day to 18.5 million barrels a day. The members reaffirm their commitment to the \$34-a-barrel base price.

United Nations (U.N.)

(See also *Chile; U.S., Foreign Policy*)

Dec. 6—A group of U.N. specialists release a report asserting that there is "circumstantial evidence . . . of the possible use . . . of toxic chemical substances" by the Soviet Union in Afghanistan and the Vietnamese in Southeast Asia.

Dec. 8—The U.S. delegation reports that there are "as yet unproven" allegations that chemical weapons have been used in Ethiopia on two occasions.

Dec. 10—Voting 108 to 13 with 13 abstentions, the General Assembly approves a resolution that effectively bans individual reception of satellite television broadcasts that do not go through a country's ground receiving station.

117 nations sign the Law of the Sea Treaty; the U.S. and 22 other countries attending the conference do not sign the document because of the seabed mining provisions.

Dec. 13—The General Assembly overwhelmingly approves two resolutions that call on the nuclear nations to stop the production and emplacement of nuclear weapons.

Dec. 15—The Security Council adopts a resolution denouncing South Africa's raid into Lesotho on December 9.

ANGOLA

(See *South Africa*)

ARGENTINA

(See also *Israel; Nicaragua*)

Dec. 1—President Reynaldo Bignone announces that elections will be held in 1983; the junta has promised a return to democracy by 1984.

Dec. 6—At least 9 million workers stage a nationwide strike for 24 hours to protest inflation and human rights abuses.

Dec. 16—An anti-government rally of thousands is broken up by police; one demonstrator is killed and 120 are arrested.

BOLIVIA

Dec. 23—Former President General Luis García Meza and 14 other high-ranking military officers are discharged from the military for destroying "the prestige of the armed forces."

BRAZIL

(See also *U.S., Foreign Policy*)

Dec. 13—The *New York Times* reports that a consortium of New York banks rescued Banco do Brazil, Brazil's largest bank, from default last week. The consortium lent the Banco do Brazil \$175 million in hard currency.

Dec. 15—The government and the IMF agree on the terms of an IMF credit of \$4.5 billion for Brazil; the credit could rise to \$6.7 billion during the next 3 years.

Dec. 21—The government asks major international banks for \$9.6 billion in medium and long-term financing to help cover the foreign debt.

Dec. 30—Top banking officials announce that no payment will be made in January on the principal due on the foreign debt.

BULGARIA

(See also *Italy*)

Dec. 9—The government announces that it has arrested a Turk for possible involvement in the attempted assassination of Pope John Paul II in May, 1981.

CAMBODIA(See *India*)**CHILE**

Dec. 19—Foreign Minister René Rojas Galdames tells reporters in Santiago that Chile will stop cooperating with all international human rights organizations; the new policy comes in response to a U.N. resolution condemning Chile for human rights abuses.

CHINA(See also *France*)

Dec. 1—Finance Minister Wang Bing-qian tells the National People's Congress that the state budget will run a deficit of \$1.5 billion in 1983.

Dec. 4—The National People's Congress approves a new state constitution providing guidelines on civil rights and limiting to two 5-year-terms the tenure of the President and Prime Minister.

Dec. 6—Party leader Hu Yaobang tells King Hussein of Jordan and an accompanying Arab League delegation that the Arab nations should recognize Israel.

Dec. 10—The 5th National People's Congress ends.

Dec. 26—The government sends a message to the Soviet Union on its 60th anniversary that says "China sincerely hopes to bring about gradual normalization and to establish good neighborly relations between our two countries."

Dec. 27—The official Communist party newspaper, *People's Daily*, asks all "peace-loving" nations to "provide moral and material assistance to the Afghan people." The paper says that the Soviet invasion of Afghanistan "is a major step in the Soviet global strategy. . . ."

DENMARK

Dec. 7—Parliament votes to cut off funds for a support system for U.S. medium-range missiles in West Europe.

Dec. 13—In a meeting with U.S. President Ronald Reagan in Washington, D.C., Prime Minister Poul Schlüter says the "great majority" of Parliament still supports the U.S. decision to deploy medium-range missiles in Europe.

EGYPT

Dec. 12—In an interview with *Der Spiegel*, President Hosni Mubarak says the "Syrians do not want any solution" to the Palestinian problem.

EIRE

Dec. 14—Following its 3d general election in 18 months, Parliament elects Garret FitzGerald Prime Minister.

EL SALVADOR

Dec. 2—President Alvaro Magaña names 7 people to a newly formed "Government's Commission on Human Rights."

The New York Times reports that a study prepared for the Salvadoran government shows that guerrillas caused \$41.5 million in damages in the 20 months from September, 1980, to May, 1982.

FINLAND

Dec. 29—The 4-party coalition government of Prime Minister Kalevi Sorsa falls when the Communist-dominated Finnish People's Democratic League opposes the rest of the coalition.

FRANCE(See also *Intl, IMF*)

Dec. 13—In an interview, President François Mitterrand says the U.S. and the Soviet Union might be able to reach a compromise on the deployment of medium-range Pershing 2 missiles in West Europe.

Dec. 14—At a joint news conference in Paris, U.S. Secretary of State George Shultz and Foreign Minister Claude Cheysson outline an overall Western economic strategy in dealing with the U.S.S.R.; the other West European nations are expected to agree.

Dec. 27—A spokesman for the French Atomic Energy Commission says France has concluded a preliminary agreement with China on a joint nuclear research and development program.

GERMANY, WEST(See also *Intl, IMF; U.S., Foreign Policy*)

Dec. 2—Unemployment in November reached 8.4 percent, the Labor Ministry announces. This is the highest unemployment rate in Germany since the end of World War II.

Dec. 17—Chancellor Helmut Kohl deliberately loses a vote of confidence in Parliament; thus elections will be held in March, 1983.

GUATEMALA

Dec. 8—President Efraín Ríos Montt says the "war against the subversives is already over." He also says that elections for a constituent assembly will be held in 1984.

Dec. 18—*The New York Times* reports that the U.S. is sending military aid to Guatemala although such aid was expressly forbidden by the U.S. Congress in 1977.

INDIA

Dec. 19—The government announces that it has not invited Cambodia to the March, 1983, summit meeting of the Nonaligned Movement.

Dec. 24—A 5-year accord setting up a joint commission on economic and cultural ties with Pakistan is initialed.

IRAN(See *Intl, Middle East*)**IRAQ**(See *Intl, Middle East*)**ISRAEL**(See also *Intl, Middle East; Zaire*)

Dec. 1—At a news conference sponsored by the government, a member of the Phalangist group that massacred refugees at Sabra and Shatila refugee camps in Lebanon says, "we have a full right to deal with our enemies in Lebanon in the manner we find suitable."

Dec. 5—The commission investigating the Sabra and Shatila massacre announces that there is no evidence that Major Saad Haddad's Christian forces were involved in the killings.

Dec. 9—Prime Minister Menachem Begin declines to reappear before the commission investigating the Sabra-Shatila massacres.

Dec. 11—Deputy Prime Minister David Levi says a "massive program of building" is being undertaken on the Israeli-occupied West Bank.

Dec. 15—The World Zionist Congress votes to condemn the government's policy of settlements on the West

Bank; the vote is overruled by the congress chairman, who says that the "congress must support the Government of Israel no matter who is in the Government."

Foreign Minister Yitzhak Shamir denies that he reached any agreement with the Argentines on arms sales during his recent visit to Argentina and Uruguay.

Dec. 20—The Sabra-Shatila commission summons Defense Minister Sharon to return for further questioning.

Dec. 28—The Defense Ministry estimates that the war in Lebanon will have cost Israel \$1.1 billion if Israeli troops withdraw by February, 1983.

ITALY

(See also *Bulgaria*)

Dec. 5—The Foreign Ministry asks the Bulgarian embassy to allow the arrest of a Bulgarian employee who is implicated in the attempted assassination of Pope John Paul II on May 13, 1981. 2 other Bulgarians have also been implicated.

Dec. 8—The jailed Turkish gunman who attempted to assassinate the Pope says he "received instructions" to kill John Paul II in Bulgaria.

Dec. 16—In a 349-244 vote of confidence, Parliament approves the Cabinet of Prime Minister Amintore Fanfani.

Dec. 23—The Christian Democratic party accuses the Socialist party of manipulating the investigation of Bulgarian complicity in the attack on the Pope for its own political ends.

JAPAN

(See also *Intl, IMF*)

Dec. 23—In an effort to ease relations with its Western trading partners, the government announces a cut in import tariffs on more than 70 items, including agricultural and manufactured products, effective in April, 1983.

Dec. 30—Prime Minister Yasuhiro Nakasone's Cabinet approves a new budget that includes a 6.5 percent increase in defense expenditures.

JORDAN

(See also *China; U.S., Foreign Policy*)

Dec. 14—The government and the Palestine Liberation Organization announce an agreement to recognize "a special and distinctive relationship" between Jordan and a future Palestinian state.

KOREA, SOUTH

Dec. 23—Kim Dae Jung leaves Seoul for the U.S.; the U.S. State Department credits the "quiet diplomacy" of President Ronald Reagan with the release of the former South Korean presidential candidate.

Dec. 24—The government releases 1,200 prisoners, including 48 political detainees.

LEBANON

(See also *Intl, Middle East; Israel; U.S., Foreign Policy*)

Dec. 2—Police officials in West Beirut report the discovery of about 1,200 more bodies in recent weeks; they say that the death toll for West Beirut in the Israeli invasion has reached 6,775.

Dec. 24—13 Lebanese are killed during artillery and rocket attacks between rightist Christians and leftist Druse militiamen; at least 170 people have been killed in violence between the groups in the last 10 weeks.

LESOTHO

(See *Intl, U.N.; South Africa*)

MEXICO

Dec. 1—Miguel de la Madrid Hurtado is sworn in as President; he announces a 10-point economic program of budget cuts, taxes and price increases as part of the program of "economic reordering."

Dec. 20—The government devalues the peso 53 percent; it is hoped that the devaluation will draw more U.S. dollars into the country.

Dec. 23—The International Monetary Fund gives final approval for a \$3.9-billion loan to Mexico so that Mexico can make payments on its \$85-billion foreign debt.

NAMIBIA

(See *South Africa*)

NICARAGUA

(See also *Vatican*)

Dec. 13—The government says a group of foreign banks has agreed to provide \$25 million in short-term credits to help Nicaragua meet a \$40-million interest payment.

Dec. 19—Government officials say that the Argentine government has agreed to withdraw its military advisers from Central America; the advisers have been involved with anti-Sandinist guerrillas operating in Honduras.

Dec. 20—In a news conference in Washington, D.C., Francisco Fiallos Navarro, the Nicaraguan Ambassador to the U.S., discloses that he was removed from his post after he gave an interview criticizing the Sandinist government.

PAKISTAN

(See also *India*)

Dec. 1—The government issues formal invitations to Western companies to bid on the sale to Pakistan of a 2d nuclear reactor.

Dec. 6—President Mohammad Zia ul-Haq arrives in Washington, D.C.

Dec. 7—President Zia tells President Reagan that Pakistan is interested in nuclear technology only for "peaceful purposes."

Dec. 8—President Zia defends his country's human rights record, saying "We are not a bunch of clowns."

PERU

Dec. 29—President Fernando Belaúnde Terry orders the army to take control of 3 provinces to combat leftist guerrillas.

PHILIPPINES

Dec. 13—10 journalists are arraigned on charges of subversion and conspiracy to overthrow the government; the journalists wrote for a tabloid critical of the government that was closed on December 7.

POLAND

Dec. 3—In a speech broadcast on national television, Prime Minister General Wojciech Jaruzelski attacks the U.S. for being the "main inspirer of anti-Polish action."

Dec. 14—The government announces a reduction in cultural and scientific ties with the U.S.

Dec. 16—Lech Walesa, head of the outlawed Solidarity

labor union, is briefly detained by police; Walesa was to give a speech at the Gdansk shipyard.

Dec. 23—According to the government, all but 7 political internees have been released; the 7 are former Solidarity officials who face criminal charges.

Dec. 30—The government officially suspends martial law. Most martial law measures have been written into the penal code and the militarization of key industries will continue.

PORTUGAL

Dec. 21—President António Ramalho Eanes accepts the resignation of Prime Minister Francisco Pinto Balsemão.

Dec. 27—Prime Minister Balsemão announces that he has chosen Vitor Crespo, head of the Social Democrats, as his successor.

SOUTH AFRICA

(See also *Intl, U.N.*)

Dec. 8—The government announces that officials have met with a delegation from Angola to discuss Namibia.

Dec. 9—South African troops invade neighboring Lesotho, killing at least 37 people; the government claims that those killed belonged to the banned African National Congress (ANC) and were planning acts of terrorism and sabotage in South Africa. Lesotho says many of those killed were refugees.

Dec. 19—ANC members claim responsibility for the bombing of a nuclear power station north of Cape Town; the group says it is retaliating for the December 9 killings in Lesotho.

Dec. 20—Magistrate Petrus Motze rules that the security police are not to blame for the hanging death in jail of Neil Aggett, a white official of a black labor union who was held without charge and subjected to intense interrogation.

SPAIN

Dec. 2—Felipe González is sworn in as Prime Minister.

Dec. 14—Spain opens the border with Gibraltar, ending a 13-year blockade of the British colony.

Dec. 15—Prime Minister González tells U.S. Secretary of State George P. Shultz that his government will remain an ally of the U.S. even though Spain has "frozen" talks on the integration of the military into NATO.

SRI LANKA

Dec. 23—Final results show that a constitutional amendment extending the term of Parliament by 6 years passed by more than 500,000 votes in a national referendum held on December 22.

SURINAME

(See also *U.S., Foreign Policy*)

Dec. 11—The military government declares a state of martial law after security forces killed more than 24 opposition leaders, journalists and dissidents on December 9. Lieutenant Colonel Daysi Bouterse says those killed were shot when they attempted to escape from prison; they were being held for allegedly attempting to stage a coup.

SYRIA

(See *Egypt*)

THAILAND

Dec. 27—Authorities report the surrender of more than

2,000 Communist rebel tribesmen; another mass surrender of 1,000 guerrillas took place on December 1.

TURKEY

Dec. 1—*Gunaydin*, the 2d largest paper in Turkey, is banned for an "unlimited time" by the Istanbul martial law commander after the morning edition criticized the minimum wage laws.

U.S.S.R.

(See also *Intl, U.N.; China; France; United Kingdom, Great Britain; U.S., Foreign Policy*)

Dec. 6—Defense Minister Dimitri F. Ustinov says the Soviet Union "will deploy in response [to U.S. MX missile deployment] a new ICBM of the same class and its characteristics will not be inferior to those of the MX missile in any way."

Dec. 10—2 Soviet astronauts return to earth after spending a record 211 days in space.

Dec. 17—The government orders the expulsion of Britain's naval attaché in response to the expulsion of the Soviet naval attaché from Britain for spying.

Dec. 21—In a major speech, General Secretary Yuri V. Andropov offers to reduce the 600 Soviet medium-range missiles in Europe to about 162, if the U.S. cancels plans to deploy the Pershing 2 and cruise missiles. Andropov also renews a July, 1982, offer for a mutual strategic (intercontinental) missile cut of 25 percent.

Dec. 22—Leonid M. Zamaytin, chief of the Communist party central committee's international information department, says that the offer to reduce intermediate-range missiles does not include those intermediate-range missiles based east of the Ural mountains.

At a news conference, Zamaytin says reports linking the Soviet Union with the attempted assassination of Pope John Paul II are part of "an evil-minded campaign that has not a grain nor an iota of truth."

Dec. 30—The Soviet press agency Tass reports that General Secretary Andropov believes a meeting with President Ronald Reagan would be a "very effective" means of improving relations between the 2 countries.

UNITED KINGDOM

Great Britain

(See also *Intl, IMF; Spain; U.S.S.R.; U.S., Foreign Policy*)

Dec. 7—In London, former NATO economist Hugh Hambleton is sentenced to 10 years in prison after he is convicted of spying for the Soviet Union.

Dec. 14—Defense Secretary John Nott announces the allocation of an extra \$1 billion to the defense budget to increase "the flexibility, mobility and readiness" of the armed forces within NATO and "elsewhere."

Dec. 16—Prime Minister Margaret Thatcher suffers her first major parliamentary defeat when Conservatives join opposition Labor and Liberal party members to reject a bill relaxing immigration rules.

Northern Ireland

Dec. 7—It is reported that at least 16 people (including 11 British soldiers) died after a bomb blast at a bar on December 6; the Irish National Liberation Army claims responsibility for the bombing.

UNITED STATES

Administration

Dec. 6—Officials of the Department of Health and Human Services reveal that new guidelines now being reviewed would require family planning services fi-

nanced by the federal government to maintain completely separate facilities if they offer abortion services.

Dec. 8—Shortly after 52 Senators declare that 3 of his 9 nominees are "controversial," President Ronald Reagan withdraws his 9 nominations to the independent Legal Services Corporation board.

The Environmental Protection Agency agrees to use the federal superfund for toxic cleanups to pay to clean up 3 dioxin-tainted sites in eastern Missouri.

The Federal Communications Commission votes to permit overseas message service companies to compete with the American Telephone and Telegraph Company.

Dec. 9—At a White House briefing, President Ronald Reagan proposes that farmers be paid in surplus government stocks of grains and cotton instead of cash, if they will take up to one-half their land out of production in 1983; farmers could then sell the surplus or use it as feed.

Dec. 13—Environmental Protection Agency administrator Anne M. Gorsuch announces a new integrated program to control air, water and land pollution.

Dec. 15—White House spokesman Larry Speakes reports that the administration has asked the Office of Management and Budget "to assemble the facts" in the wake of reports that expenses for the members of the Legal Services Corporation Board practically doubled in 1982.

Dec. 19—The Selective Service System is mailing some 450,000 warning letters to young men who have not registered for Selective Service; the service says that 94 percent of those eligible to register have done so.

Dec. 20—The Environmental Protection Agency lists the 418 most hazardous waste sites in the U.S.; New Jersey leads the list with 65 sites.

Dec. 22—Deputy White House press secretary Larry Speakes says that President Reagan will extend the life of the National Commission on Social Security Reform for 15 days past its expiration date of December 31.

Dec. 23—Administration officials reveal that the Social Security old-age trust fund will borrow more than \$13 billion on December 31 from other Social Security trust funds in order to meet its obligations through June, 1983; it expected to borrow \$7 billion.

Dec. 27—The solicitor's office of the Department of the Interior rules that unless Congress intervenes 805,000 acres will be removed from the Bureau of Land Management and no longer be considered as potential wilderness areas; this action does not automatically open the land to "multiple use" (mining, lumbering).

Dec. 28—Transportation Secretary Drew Lewis resigns, effective February 1, 1983, to enter private business.

President Reagan recommissions the battleship U.S.S. *New Jersey* in a ceremony at Long Beach, California.

Dec. 30—At a news conference, Interior Secretary James G. Watt says he will not issue any more leases for oil and gas drilling in potential federal wilderness areas until Congress decides how the land should be used.

Economy

Dec. 3—The Labor Department reports that the nation's unemployment rate rose to 10.8 percent in November.

Dec. 10—The Labor Department reports that its producer price index rose 0.6 percent in November.

Dec. 13—The Federal Reserve Board lowers its discount loan rate to 8.5 percent.

Dec. 21—The Labor Department reports that its consumer price index rose 0.1 percent in November.

The Commerce Department estimates that the nation's gross national product (GNP) is declining in the last quarter of 1982 at a 2.2-percent annual rate.

Dec. 23—President Reagan asks each of the nation's businesses to "see if they can hire just one person" to help alleviate unemployment.

Dec. 27—The New York Stock Exchange's Dow Jones industrial average reaches a new high of 1,070.55.

Dec. 29—The Commerce Department reports that the U.S. foreign trade deficit for November was \$4.1 billion.

Dec. 30—The Commerce Department reports that the index of leading economic indicators rose by 0.8 percent in November.

Foreign Policy

(See also *Intl, EEC, IMF, Middle East, NATO, U.N., Denmark; France; Guatemala; Korea, South; Pakistan; Poland; Spain*)

Dec. 1—In Brasília, President Reagan promises \$1.2 billion in emergency short-term loans to Brazil.

Dec. 2—Deputy Secretary of State Kenneth W. Dam tells a Chicago audience that the U.S. has agreed to provide equipment and training to rebuild the Lebanese army to a strength of 40,000 in 1983.

In São Paulo, President Reagan warns business leaders that the current trend toward protectionist trade barriers could lead to "economic contraction. . . ."

Dec. 4—In Costa Rica, President Reagan invites the Central American countries to join in a "peaceful revolution for democracy" that would end foreign-backed subversion.

Dec. 7—Deputy White House press secretary Larry Speakes says that Soviet Defense Minister Dimitri Ustinov's warning that the Soviet Union will match any new missiles produced by the U.S. is a "clear effort to influence the American political process."

Secretary of State George P. Shultz arrives in Bonn at the beginning of a 2-week trip to discuss with U.S. allies a joint economic policy toward the Soviet Union.

Dec. 10—The Defense Department announces U.S. plans to build a \$13-million facility in High Wycombe, Britain, to be used as U.S. staff headquarters in case of war in Europe.

Dec. 17—State Department spokesman Alan D. Romberg says that the U.S. is cutting off \$1.5 million in aid to Suriname because some 30 civilians held in government custody there have been murdered.

Dec. 20—Jordan's King Hussein arrives in Washington, D.C., to meet President Reagan and consult with U.S. officials.

Dec. 21—The State Department says that the U.S., Britain and France have rejected Soviet General Secretary Yuri V. Andropov's proposal to reduce the number of Soviet medium-range missiles in Europe.

Dec. 22—President Reagan tells Organization of American States ambassadors that he will press for passage of his proposed Caribbean Basin Initiative in the 98th Congress.

Under Secretary of State for Political Affairs Lawrence S. Eagleburger says that the Soviet Union has suffered between 10,000 and 15,000 casualties in the 3 years since its forces invaded Afghanistan.

Dec. 23—President Reagan meets again with Jordan's King Hussein; they voice optimism over the prospects

for peace in the Middle East although State Department officials admit that Hussein has not agreed to enter Israeli-Egyptian peace negotiations.

Dec. 25—The Joint Economic Committee of Congress releases a Central Intelligence Agency (CIA) analysis that reports that the Soviet GNP (gross national product) grew at a 4.8-percent annual rate for some 30 years and has declined to less than 3 percent because of the poor harvests of recent years.

Dec. 30—President Reagan announces that the U.S. will not pay nearly \$1 million to the U.N.; the amount is the U.S. share of the cost of the commission overseeing the Law of the Sea Treaty.

Labor and Industry

Dec. 15—In U.S. district court in Chicago, president of the International Brotherhood of Teamsters Roy L. Williams and 4 other defendants are found guilty of conspiring to bribe Senator Howard Cannon (D., Nev.); the Senator was not indicted in the case.

Dec. 17—United Automobile Workers members at the Chrysler Corporation ratify a new contract; Canadian members of the union approved a new contract December 12.

Dec. 22—Rich Trumka is sworn in as president of the United Mine Workers of America, succeeding Sam M. Church Jr.

Dec. 27—The Bethlehem Steel Company announces the permanent closing of its Lackawanna, N.Y., plant and cutbacks at its Johnstown, Pennsylvania, operation; 10,000 jobs will be lost.

Legislation

Dec. 7—The House votes 245 to 176 to delete funds for the initial production of the MX (missile experimental) missile from the 1983 military appropriations bill; President Reagan calls the vote a "grave mistake."

Dec. 8—The House agrees 346 to 68 to keep some \$2.5 billion for MX missile research in the 1983 military appropriations bill.

Dec. 9—The House Select Committee on Intelligence issues a report that says that although the Soviet Union has tried to influence the American nuclear freeze movement, "Soviet agents have had no significant influence on the . . . movement."

Dec. 14—The House votes 303 to 109 to increase the pay of its members \$9,138 a year to \$69,800; the Senate approves a resolution barring any limitation on the outside income its members may obtain.

Dec. 16—In a 259 to 106 vote, the House cites Environmental Protection Agency administrator Anne M. Gorsuch for contempt of Congress for refusing to supply subpoenaed documents relating to EPA law enforcement efforts in cleaning hazardous waste dumps.

The special Senate committee examining the FBI Abscam investigation concludes that it "was not perfect, but pretty good."

The Senate confirms Harry N. Walters as administrator of the Veterans Administration and Paul N. Thayer as Deputy Secretary of Defense.

Dec. 17—The Justice Department refuses to prosecute Anne Gorsuch unless a court orders it to do so. Gorsuch is the first Cabinet-level official ever cited for contempt of Congress.

Dec. 21—The House votes 232 to 54 to pass a \$379-billion emergency spending bill in the form of a continuing resolution that will provide funds for govern-

ment operations through September 30, 1983; the Senate votes 55 to 41 to approve the bill. Among other provisions, the measure keeps the Clinch River breeder reactor project alive (although construction funds will be withheld in fiscal 1983); it approves some extended unemployment benefits; and it forbids the U.S. to provide "military equipment, military training . . . for the purpose of overthrowing the government of Nicaragua." Only 35 copies of the measure in final form were available before congressional approval.

President Ronald Reagan signs the \$379-billion continuing resolution.

Dec. 23—In a 54 to 33 vote, the Senate approves an increase in the federal gasoline tax of 5 cents a gallon to finance highway and mass transit improvements; the House voted 180 to 87 to pass the bill on December 21.

The lame-duck session of the 97th Congress adjourns.

Dec. 29—In California, President Ronald Reagan signs 5 minor pieces of legislation; major bills will be signed after his return to Washington, D.C.

Military

Dec. 8—Chairman of the Joint Chiefs of Staff General John Vessey Jr. says that 3 of the 5 of the nation's joint chiefs did not favor President Reagan's dense-pack basing plan for the MX missile.

Politics

Dec. 1—Senator Edward Kennedy (D., Ma.) says he will not be a candidate for the Democratic presidential nomination in 1984 for personal reasons.

Dec. 2—Senator Richard G. Lugar (R., Ind.) becomes head of the National Republican Senatorial Committee, replacing Senator Bob Packwood (R., Ore.).

Supreme Court

Dec. 23—The Supreme Court refuses without comment a Justice Department appeal to allow an extension of the deadline for the restructuring of the nation's bankruptcy courts; Congress is not meeting the Court's December 24 deadline. The federal courts' jurisdiction over 700,000 pending bankruptcy cases is consequently clouded.

VATICAN

(See also *Bulgaria; Italy; U.S.S.R.*)

Dec. 1—Church officials in Managua, Nicaragua, say that Pope John Paul II will visit Nicaragua in 1983 only if Roman Catholic priests serving in the Nicaraguan government resign.

VIETNAM

(See *Intl, U.N.*)

ZAIRE

Dec. 2—Following a 3-day visit from Israeli Foreign Minister Yitzhak Shamir, President Mobutu Sese Seko announces that the government will buy \$8-million worth of military equipment from Israel.

ZIMBABWE

Dec. 7—Police search the ranch house of former Prime Minister Ian D. Smith for the 3d time in 4 days. Smith's passport was seized on December 2 and he was detained by police in Harare on December 6. ■



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